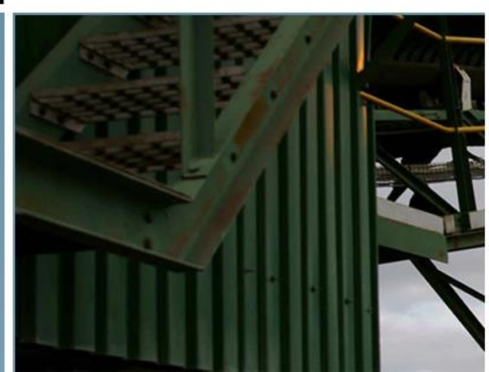


Caledonia Mining Corporation Plc


FY 2016 Results Overview

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FY 2017 Results Summary

Record gold production and reduced costs support strong cash generation

	3 months to 31 December 2015	3 months to 31 December **2016**	12 months to 31 December 2015	12 months to 31 December **2016**	yoy % Change	Comment
Gold produced (oz)	11,515	**13,591**	42,804	**50,351**	+18%	Record gold production in the Year and Quarter due to increased tonnes milled
On-mine cost per ounce ($/oz)[1]	701	**614**	701	**636**	-9%	Lower on-mine cost per ounce as fixed costs are spread across higher production ounces
All-in sustaining cost per ounce ($/oz) (“AISC”)1	1,127	**843**	1,037	**912**	-12%	Lower AISC per ounce as fixed costs are spread across higher production ounces. AISC also includes the effect of the export incentive
Average realised gold price per ounce ($/oz)1	1,083	**1,187**	1,139	**1,232**	+8%	Higher average realised gold price per ounce reflects the increased gold price compared to comparative periods
Gross profit ($’000) [2]	3,408	**6,888**	13,181	**23,492**	+78%	Increased profit due to higher sales, the higher realised gold price and reduced costs per ounce
Profit attributable to owners of the company ($’000)	1,940	**3,258**	4,779	**8,526**	+78%	Increased net attributable profit due to higher profit before tax offset by a higher effective tax rate
Adjusted basic earnings per share (“EPS”)[3] (cents)	1.1	**7.8**	8.8	**21.4**	+143%	Increased earnings per share due to higher adjusted attributable earnings
Cash and equivalents net of overdraft ($’000)	10,880	**14,335**	10,880	**14,335**	+32%	Increase in cash due to strong operational cashflows and draw-down of $3m term facility offset by the continued high level of expansion investment
Net cash from operating activities ($’000)	1,392	**6,940**	6,869	**23,011**	+235%	Increased cash from operating activities due to higher profit and increased net non-cash expenses

1 - Non-IFRS measures such as “On-Mine Cost per ounce”, “AISC” and “average realised gold price” and “adjusted earnings per share” are used throughout this document. Refer to Section 10 of the 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 the MD&A for a discussion of non-IFRS measures.

Income Statement

Increased production and lower costs delivered a strong increase in EPS

Summary P&L (US$m)	3 months ended December 31		12 months ended December 31		yoy % Change
	2015	**2016**	2015	**2016**	
Revenue	11.8	**15.3**	49.0	**62.0**	+27%
Royalty	(0.6)	**(0.6)**	(2.5)	**(2.9)**	+19%
Production costs	(7.0)	**(6.9)**	(30.0)	**(32.1)**	+7%
G&A costs	(2.4)	**(2.0)**	(7.6)	**(7.3)**	-5%
EBITDA	1.7	**5.8**	8.9	**19.7**	+122%
Depreciation	(0.7)	**(0.9)**	(3.3)	**(3.5)**	+5%
Other income	0.1	**1.2**	0.1	**1.3**	
Foreign exchange gain/(loss)	0.8	**(0.2)**	2.9	**(0.5)**	
Cash settled share based payment	(0.0)	**(0.0)**	(0.0)	**(0.8)**	
Profit on sale of treasury bills	-	**-**	-	**3.2**	
Margin call on gold hedge	-	**-**	-	**(0.4)**	
Operating Profit	1.8	**5.8**	8.5	**19.0**	+123%
Finance Charges	(0.1)	**(0.0)**	(0.5)	**(0.2)**	
Profit before tax	1.7	**5.8**	8.0	**18.8**	+136%
Tax	0.3	**(1.9)**	(2.4)	**(7.7)**	+226%
Net Profit	2.0	**3.9**	5.6	**11.1**	+98%
Attributable to:					
Caledonia Shareholders	1.9	**3.3**	4.8	**8.5**	
NCI	0.0	**0.6**	0.8	**2.6**	
Earnings per share (cents)					
EPS (cents)	3.6	**6.2**	8.9	**15.8**	+78%
Adjusted EPS (cents)*	1.1	**7.8**	8.8	**21.4**	+143%

- Increased revenues reflected higher production and a higher gold price
- Costs for the full year remain under control with on mine costs of $636 per ounce and AISC of $912 per ounce
- The all-in sustaining cost in Q4 were significantly reduced due to the recognition of $1.1 million of export incentive which had accumulated since the export credit scheme was initiated in May 2016.
- Profitability for the year was boosted by an 18% increase in gold production, a 12% decline in unit operating costs costs and an 8% increase in the net gold price received resulting in a 123% increase in operating profit and a 98% increase in net profit.
- Tax includes $4.6m of deferred tax which has been reversed out of the adjusted earnings
- Adjusted EPS excludes gains on sale of treasury bills, deferred tax and foreign exchange gains and losses.

Production and Revenues

Effect of Changes in Production, Gold Price

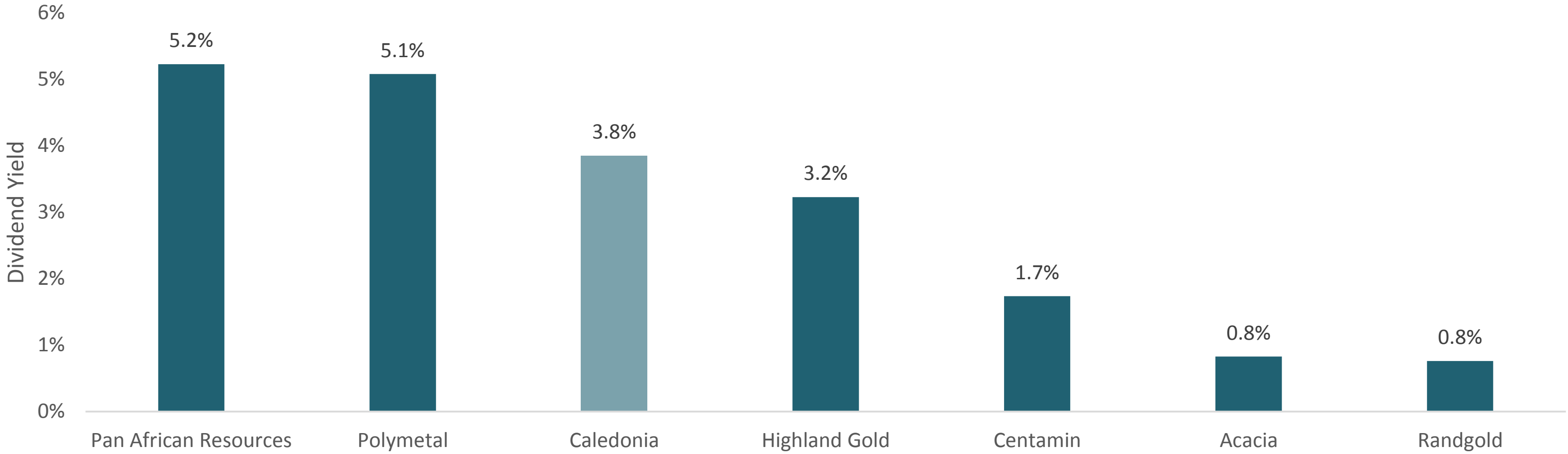
Production and Revenues	3 months to 31 December		12 months to 31 December		% change
	2015	**2016**	2015	**2016**	
Tonnes Milled (000's)	115,079	**142,169**	440,079	**510,661**	+16%
Average grade (g/t)	3.34	**3.21**	3.25	**3.3**	+2%
Average recovery (%)	93.1	**92.8**	93.0	**93.0**	0%
Gold Production (oz)	11,515	**13,591**	42,804	**50,351**	+18%
Average realised gold price ($/oz)	1,083	**1,139**	1,139	**1,232**	+8%
Gold revenues ($m)	11.8	**15.3**	49.0	**62.0**	+27%

- Blanket mine set consecutive quarterly and annual production records as gold production and sales were 18% higher year on year, mainly due to increased production rates and the extraction of ore from below 750m level
- Tonnes milled continued to increase steadily with 510,661 tonnes mined and milled in 2016: a new record from underground which reflects the recent investment in underground infrastructure, development and the commissioning of a new ball mill in Q3 of 2016
- Grade is expected to continue to trend gradually upwards towards 4g/t as production from below 750m increases
- The average realised gold price was 8% higher year on year which, combined with increased production and lower unit costs contributed to the significant increase in profitability and cash generation for both the quarter and the year.

Dividend

A track record of sustainable and increasing dividends

Dividend Peer Comparison



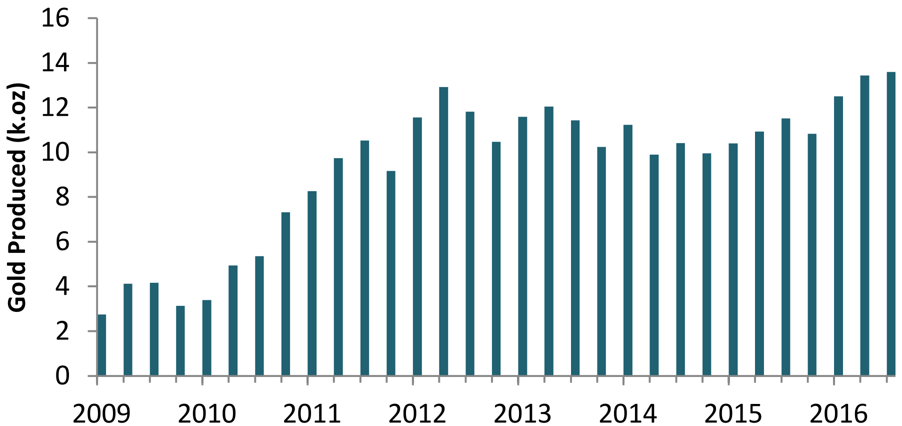
Payout Ratio	58%	98%	31%	-188%	35%	-10%	33%

- 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
- In July 2016 Caledonia increased its quarterly dividend by 22% from 1.125 US cents per quarter to 1.375 US cents per quarter
- Caledonia's dividend is 2.9 times covered by earnings and 7.7 times covered by operating cash flow
- 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

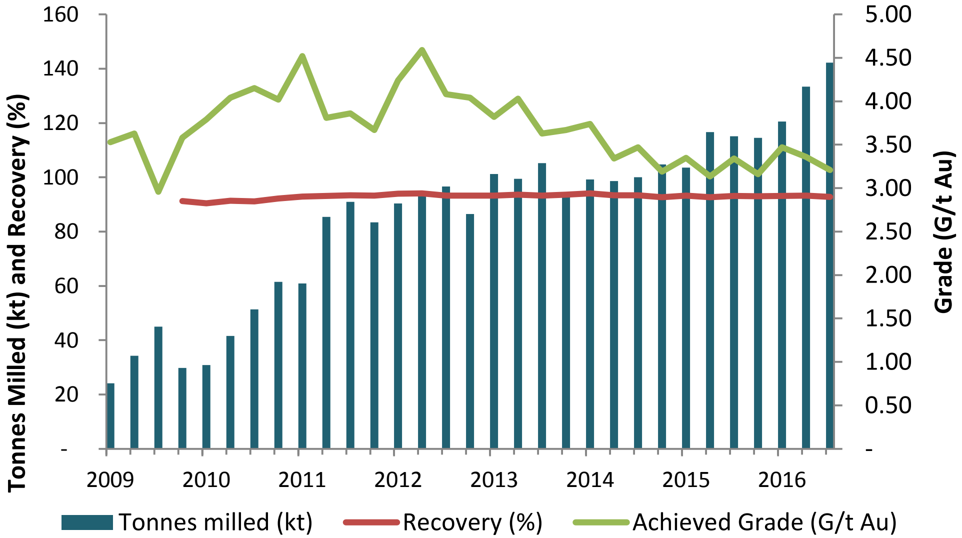
Gold Production

Operations remain on track for 80,000 ounces by 2021

Quarterly Production



Tonnes Milled, Grade and Recovery



- Blanket mine set new quarterly and annual production records with quarterly production increasing to 13,590 ounces as a result of increased tonnes milled. Annual guidance was achieved with the production of 50,351 ounces.
- Production was boosted by improved access to resources below 750m in depth with decline developments providing access to resources until the completion of the central shaft
- Production guidance for 2017 is 60,000 ounces, a 20% increase on 2016 production. Target on-mine costs and All-In sustaining costs for 2017 in the ranges of $600-$630 per ounce and $810-850 per ounce, respectively.
- 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
- Improved underground logistics: completion of the tramming loop and decline development have boosted operational flexibility
- Grade is anticipated to continue to improve gradually towards 4g/t as deeper resources are accessed

Production Costs

Costs remain contained and unit costs continue to trend downwards

	FY 2016	FY 2015	Change
Gold produced (oz)	**50,351**	42,804	+18%
On-mine cost ($/oz)	**636**	701	-9%
All-in Sustaining Cost ($/oz)	**912**	1,037	-12%
Average realised gold price ($/oz)	**1,232**	1,139	+8%
Tonned Milled (t)	**510,661**	440,079	+16%
Cost per tonne milled ($/t)	**62.8**	68.2	-8%
Production costs			
Salaries, wages and bonuses	***12,206***	*11,908*	+3%
Consumable materials	***16,291***	*14,479*	+13%
Site restoration	***32***	-	-
Exploration	***408***	*380*	+7%
Safety	***221***	*551*	-60%
On mine administration	***2,898***	*2,701*	+7%
Other production cost	***30***	-	-
	32,086	30,019	+7%

- Blanket did not experience significant inflationary pressure on input costs
- Unit operating costs per ounce and per tonne milled benefitted from increased mine and plant throughput showing an 8% decrease in unit costs.
- Further throughput improvements are expected to yield additional cost reductions

General & Administrative Costs

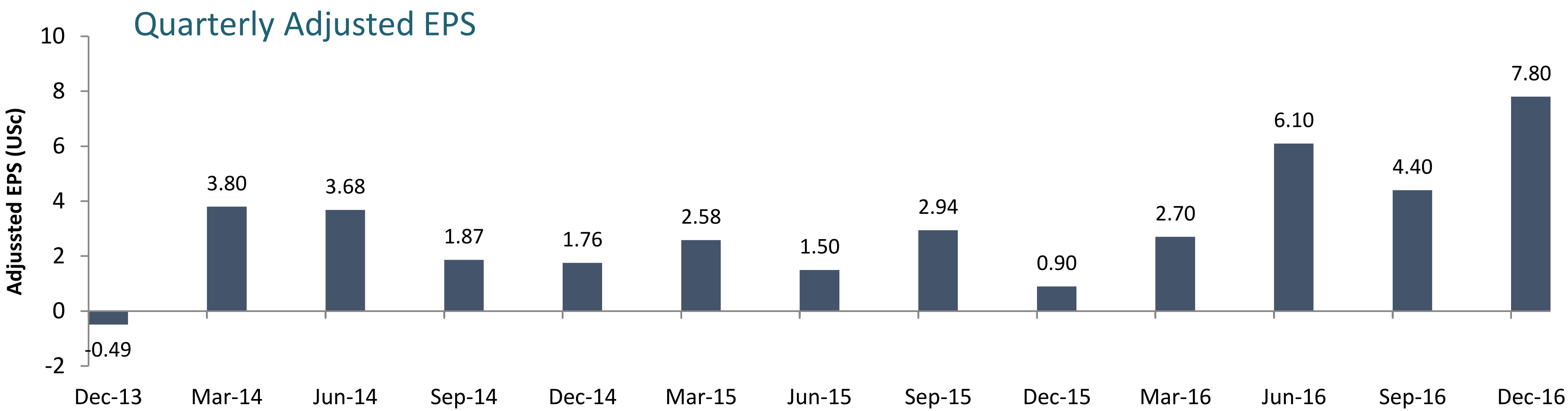
G&A costs were 5% lower for the year

	FY 2016	FY 2015	Change
Investor relations	**543**	513	+6%
Audit fee	**267**	240	+11%
Listing fees	**328**	206	+59%
Directors fees company	**211**	191	+10%
Directors fees Blanket	**48**	60	-20%
Employee costs	**2,803**	3,106	-10%
Office costs - Zambia	**17**	716	-98%
Other office administration costs	**183**	547	-67%
Unrecoverable VAT expenses and penalties	**-**	298	-100%
Travel costs	**484**	325	+49%
Donation to community	**-**	58	-100%
Eersteling Gold Mine administration costs	**111**	111	0%
Professional consulting, legal & advisory fees	**2,266**	1,251	+81%
	7,263	7,622	-5%

- Higher IR reflects increased coverage in UK and Europe
- Caledonia has concluded an agreement for the sale of Eersteling Gold Mine for an amount of $3.4 million. The deal remains conditional on the receipt of consideration in full.
- Zambia office closed with effect end of May 2015, no further costs will be incurred in 2017 and beyond
- Accounting services includes fees in respect of tax compliance and re-structuring
- The significant increase in Professional and consulting fees and legal fees are approximately $1 million higher than 2015 and include:
  - costs associated with appraisal of new investments
  - re-structuring costs (re-domicile to Jersey)
  - costs relating to Caledonia's general corporate affairs including regulatory and tax compliance in all relevant jurisdictions

Earnings per Share

Earnings are beginning to show a return on Blanket investment



	FY 2015	**FY 2016**	% change
Attributable Profit (IFRS)	4,779	**8,526**	+78%
Adjustments for:			
IFRS 19 adjustment	100	**80**	
Deferred tax	2,567	**4,611**	
Sale of Blanket Mine treasury bills	-	**(3,202)**	
Other income	-	**(226)**	
Foreign exchange	(2,850)	**505**	
Zambian expenses	716	**17**	
Total before tax and NCI	4,420	**10,311**	+133%
Reversal of tax effect	660	**891**	
NCI effect	(444)	**111**	
Adjusted profit	4,636	**11,284**	+143%
Weighted average shares in issue (m)	52.1	**52.8**	+1.3%
Adjusted EPS (cents)	8.8	**21.4**	+143%

- IFRS EPS affected by forex gains, deferred tax and once off gains on the sale of treasury bonds and losses on the hedge implemented in the first quarter

- Adjusted EPS for 2016 of 21.4 cents per share, an increase of over 100% on the previous period

Cash Flow

Strong cash generation despite significant investment and dividends

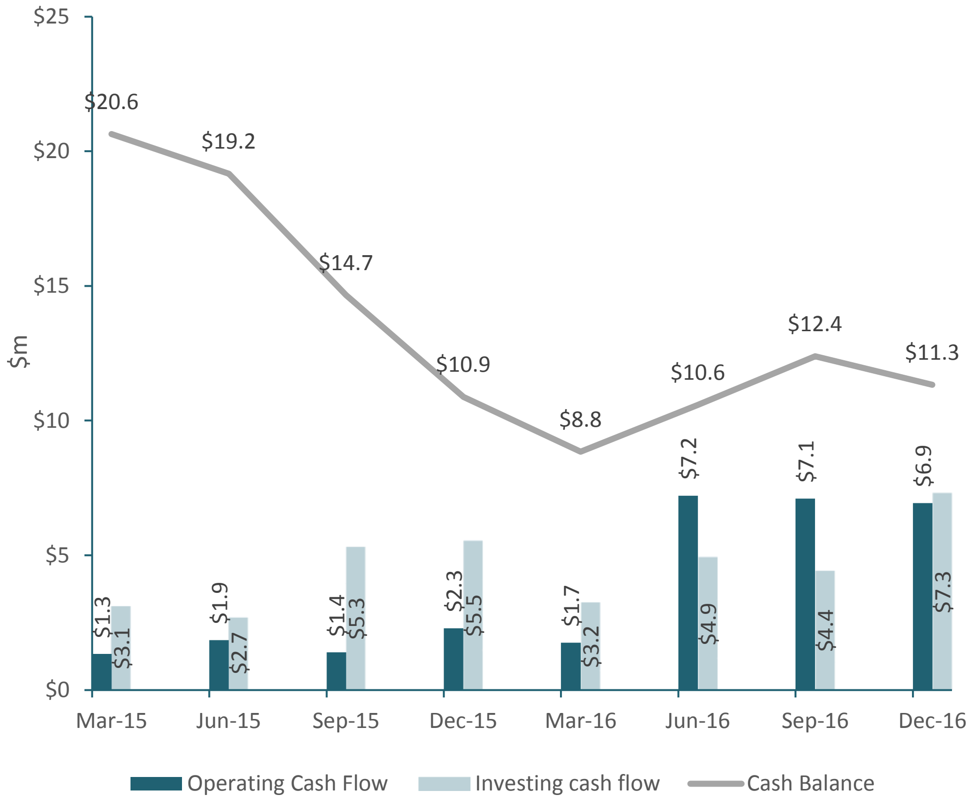
	YTD 2016	YTD 2015
Operating Cash Flow		
Cash flows from operating activities	**25,671**	8,823
Net Interest paid	**(194)**	(492)
Tax paid	**(2,466)**	(1,462)
Net cash from operating activities	**23,011**	6,869
Cash flows from investing activities		
Acquisition of property, plant and equipment	**(19,885)**	(16,567)
Proceeds from sale of property, plant and equipment	**3**	-
Net cash used in investing activities	**(19,882)**	(16,567)
Cash flows from financing activities		
Dividends paid	**(2,994)**	(2,504)
Proceeds from term loan facility	**3,000**	-
Term loan – Transaction cost	**(73)**	-
Proceeds from issue of share capital	**433**	-
Net cash from/(used in) financing activities	**366**	(2,504)
Net increase/(decrease) in cash and cash equivalents	**3,495**	(12,202)
Effect of exchange rate fluctuation on cash held	**(40)**	-
Cash and cash equivalents at beginning of year	**10,880**	23,082
Cash and cash equivalents at year end	**14,335**	10,880

- Cash from operating activities remains robust, boosted by higher production volumes and a stronger gold price with the benefits of lower unit operating costs
- Capital investment is significant with the Central Shaft project representing the majority of 2016 Capex. 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 remaining cash generative whilst sustaining it's dividend and continuing the capital investment programme at Blanket

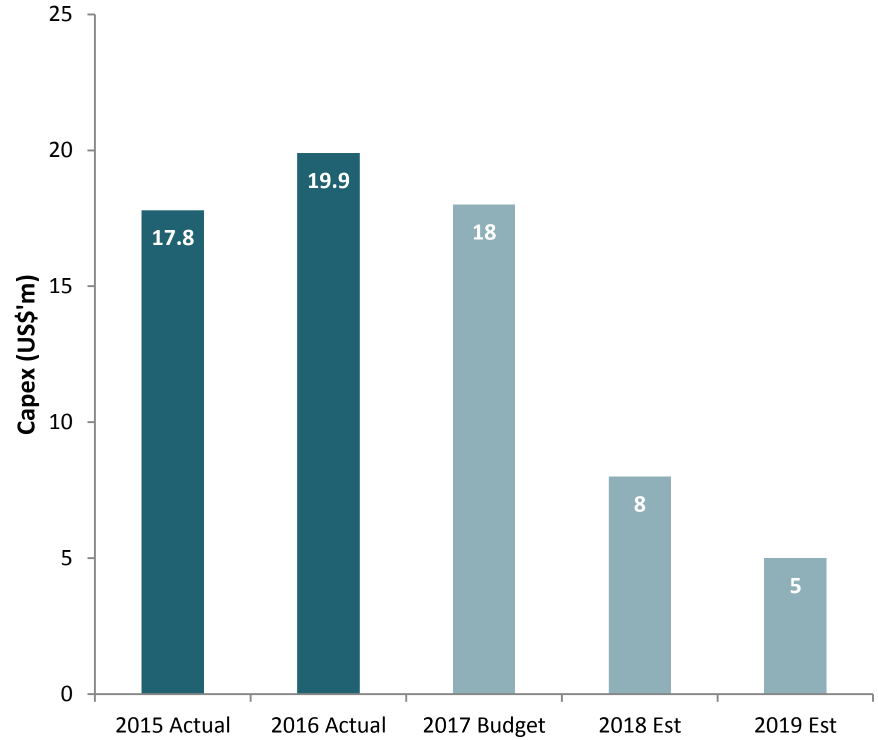
Cash Generation and Capital Investment

Growth in cash despite investments of $20m and dividends of $3m

Cash flows and net cash balance: 2015 - 2016



Actual and forecast Capex: 2015 - 2018



- Q4 2016 was a significant quarter for capital expenditures with $7.3 million invested during the quarter
- Caledonia's operations remain strongly cash generative with cash from operations sufficient to support both the investment programme and the dividend and grow the Group's cash balance in 2016
- Investment expenditure is expected to decline from 2018 onwards as the Central Shaft project is completed

Balance Sheet

Financial position is set to remain robust through the investment cycle

	Dec-16	Dec-15
Fixed Assets	**64,917**	49,276
Current Assets		
Inventories	**7,222**	6,091
Prepayments	**810**	667
Income tax receivable	**-**	397
Trade and other receivables	**3,425**	3,839
Cash and cash equivalents	**14,335**	12,568
Total assets	**90,709**	72,838
Non-current Liabilities		
Provisions	**3,456**	2,762
Deferred tax liability	**15,909**	11,318
Long-term portion of term loan facility	**1,577**	-
Cash settled share-based payments	**618**	-
Total non-current liabilities	**21,560**	14,080
Current Liabilities		
Short-term portion of term loan facility	**1,410**	-
Trade and other payables	**8,077**	6,656
Income tax payable	**345**	53
Bank overdraft	**-**	1,688
Total liabilities	**31,392**	22,477
Total equity	**59,317**	50,361
Total equity and liabilities	**90,709**	72,838

- 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
- Increase in PPE includes investment of $19.9 million for the year
  - Additional 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

Operational Issues

Good performance with mitigation plans in place for issues

- Central Shaft is progressing well
  - Achieved a depth of 633 meters as at February 28 2017
  - Unstable electricity supply from grid has impeded work and requires the installation of equipment to protect Blanket's equipment
  - Back up electricity generation capacity has improved reliability

- 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

- No. 8 Ball Mill commissioned in October 2016:
  - Milling capacity is now sufficient to process the tonnage required to achieve 80,000 ounces of gold per annum

- Metallurgical recoveries continue to be affected by unreliable oxygen supply
  - A new plant is expected to be installed in mid 2017

- Increased focus on deep level drilling continues
  - Resource updates are expected to be issued periodically

Outlook

Increased cash generation and declining capex

- Focus remains on the investment programme to increase production to 80,000 ounces by 2021
  - Higher production and reduced costs will secure Blanket's long term position as a low cost producer
  - Creates greater operational flexibility for continued deep-level exploration and development
- Caledonia is likely to see a further improvement in its cash position going forward
  - Subject to current gold prices being sustained
  - Capital expenditure of $18m budgeted for 2017
- Guidance for 2017 of 60,000 ounces
  - On mine cash costs are forecast to be $600-$630 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
- 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