

Caledonia Mining Corporation PLC

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Caledonia Mining says production levels above target in July

Caledonia Mining Corporation PLC (LON:CMCL) has said its Blanket mine in Zimbabwe put in a strong financial and operating performance in the second quarter of 2020.

The company noted that the coronavirus (COVID-19) pandemic had very little effect during the period with production continuing at around 93% of the targeted level during a three-week lockdown period that started in Zimbabwe on March 30.

After the lockdown, production subsequently hit above par levels, which meant production for the quarter was only 1.2% below target. Production continued above target in July.

Gold production in the second quarter rose to 13,499 ounces from 12,712 ounces in the corresponding quarter of 2019. First-half production was 27,732 ounces, compared to 24,660 ounces in the first half of 2019.

Caledonia said the Blanket mine has made substantial contributions of US\$1,048,000 to Zimbabwe's fight against COVID-19 in addition to incremental production costs of US\$509,000 which were directly related to COVID-19.

All-in sustaining costs (AISC) at Blanket for the quarter excluding the effects of COVID-19 were US\$831 an ounce and the company remains on track to achieve on-mine cost guidance for 2020 of between US\$693 to US\$767 per ounce and all-in sustaining cost guidance of between US\$951 to US\$1,033 per ounce.

Including the effects of COVID-19, AISC rose to US\$868 an ounce in the second quarter from US\$656 the year before, when the AISC was reduced as a result of the devaluation of the Zimbabwean dollar, which reduced the cost of electricity in that quarter to an artificially low level that was not sustained.

Gross revenues of US\$22.9m represented a 39% increase on the US\$16.5m seen in the second quarter of last year. Underlying earnings (EBITDA), excluding net foreign exchange gains, surged 35% to US\$9.6m from US\$7.1m the year before.

"The management initiatives which were implemented in 2019 have continued into 2020 and have resulted in a 12.4% increase in gold production in the first six months of 2020 compared to the same period of 2019," said Steve Curtis, the chief executive officer of Caledonia Mining in the statement.

"Net cash flow from operating activities (i.e. before interest, taxation payments and capital expenditure) was US\$4.0 million in the quarter compared to US\$2.1 million in Q2 of 2019. Caledonia ended the quarter with net cash and cash equivalents of \$11.7 million (excluding \$1 million of a gold ETF [exchange traded fund] which we purchased in the quarter to protect cash in South Africa against devaluation of the South African rand)," he added.

Price: 1175

Market Cap: £142.4 m

1 Year Share Price Graph



Share Information

Code: CMCL

Listing: AIM

52 week High Low
1900 351

Sector: Gold & silver

Website: www.caledoniamining.com

Company Synopsis:

Caledonia Mining is a profitable cash generative gold producer with a strong growth profile, Caledonia's primary asset is the Blanket Mine in Zimbabwe which produced 54,512 ounces of gold in 2018 at an All in Sustaining Cost of \$802/oz.

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Curtis said that the operating environment in Zimbabwe continues to improve and although there have been interruptions to the electricity supply from the grid, these have been circumvented by Caledonia's use of diesel generators. Down the line, Caledonia plans to construct a solar plant that will handle all of the Blanket mine's baseload electricity demand during daylight hours and about 27% of Blanket's total daily electricity demand.

"Subject to the continuation of travel and transport restrictions arising from the COVID-19 pandemic, this project could be operational by mid-2021," Curtis said.

Caledonia has already announced an increase in its quarterly dividend to 8.5 cents, which means the quarterly pay-out has increased by 23.6% in 2020.

"The board will review Caledonia's future dividend distributions as appropriate while considering the balance between delivering returns to shareholders and pursuing the significant growth opportunities within Zimbabwe and in line with a prudent approach to financial management," Curtis said.

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