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**ZIMBABWE’S MINING SECTOR – THE TRUE COST OF ACCESS: CALEDONIA
MINING CORPORATION PLC.**

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Caledonia’s VFEX Premium: Arbitrage, gold tailwinds and the true cost of access.

Executive thesis

CALEDONIA Mining Corporation Plc’s latest full-year results for the period ending December 31, 2025, have reinforced its position as one of the most compelling gold-linked equities across frontier and developed markets. Listed on the NYSE American as its primary exchange, with secondary listings on the AIM (via Depositary Interests) and the Victoria Falls Stock Exchange (VFEX) (via Zimbabwe Depositary Receipts), Caledonia occupies a unique position as a globally accessible Zimbabwe-focused gold producer. Anchored by its flagship Blanket Mine and underpinned by the long-term growth optionality of the Bilboes Gold Project, the company is increasingly transitioning into a multi-mine growth platform.

Yet, beyond fundamentals, it is Caledonia’s unusual pricing dynamics across its three listings that draws attention. Across the NYSE, AIM, and VFEX, where identical economic exposure trades at materially different valuations.

This divergence matters as it highlights the segmentation of global and frontier capital pools—where foreign investors price liquidity, convertibility, and exit certainty, while local markets reflect constrained capital, limited liquidity, and jurisdiction-specific risk.

As a result, VFEX pricing does not purely represent the intrinsic value of Caledonia’s underlying assets, but rather a composite of local demand, capital restrictions, and Zimbabwe-specific risk premia, effectively embedding structural market frictions into the asset’s valuation.

Market Structure dislocation

As of late March 2026, Caledonia’s share price presents a striking divergence across markets. On the NYSE, the stock trades in the US\$21–22 range, broadly mirrored by its AIM listing at approximately US\$22–23. On the VFEX, however, its ZDRs are priced near US\$69, implying a premium of more than 200% relative to its primary listing.

Exchange	NYSE	AIM	VFEX
Price (USD)	~\$22	~23	~\$69

At face value, this represents a clear arbitrage opportunity: purchase shares on a lower-priced exchange and sell into the higher-priced VFEX market. In practice, however, this opportunity is far less accessible than it appears. This demand is compounded by liquidity asymmetry. While the NYSE offers deep, efficient markets, the ZDRs on the VFEX remains relatively illiquid, allowing incremental demand to drive outsized price movements.

At the same time, the operational complexity of transferring shares across registers limit the speed and feasibility of arbitrage execution.

In essence, Caledonia’s (VFEX) price shows what Zimbabwean investors are willing to pay for:

1. USD-linked earning exposure
 - a. The ability to hold and preserve USD- linked value

2. Liquidity in a closed market
 - a. The ability to trade a relatively liquid instrument compared to all else locally available
3. Perceived capital safety
 - a. Confidence in the preservation of value, supported by global listing status, transparency, and established operating history.

Caledonia's price on the VFEX represents the true frontier paradox – pricing doesn't only represent value, it represents access – to liquidity, hedging and to exit.

What investors are not paying for:

- pure arbitrage value
- guaranteed convertibility into USD offshore
- global fair value equivalence to NYSE

Caledonia's US\$150 million convertible note issuance, which was significantly oversubscribed, reinforced investor confidence in the company's growth trajectory, particularly around Bilboes. Locally, this amplified bullish sentiment.

Macro tailwinds have further supported the premium. Rising geopolitical tensions, including ongoing US-Iran developments, have sustained strong demand for gold as a safe-haven asset, indirectly boosting gold-linked counters such as Caledonia.

Strong FY2025 performance

While valuation dynamics have been unusual, Caledonia's underlying financial performance has been unequivocally strong.

- Revenue for FY2025 increased 46% to US\$267,7 million, driven primarily by a sharp rise in the realised gold price to US\$3 383 per ounce, compared to US\$2 347 per ounce in the prior year. Gold sales volumes remained broadly stable at just over 79 000 ounces from 77 917 ounces sold in FY2024, underscoring that revenue growth was largely price-driven rather than volume-led.
- Margins expanded significantly, resulting in a gross margin of just over 51%, compared to approximately 42% in FY2024. This reflects the extent to which higher gold prices outpaced cost pressures.
- EBITDA margins expanding to roughly 47% from around 33% previously, highlighting strong operating leverage despite rising input costs, including labour and power.
- PAT margins expanded sharply to approximately 25.2% in FY2025, up from around 12.6% in FY2024, reflecting the strong flow-through of higher gold prices into bottom-line profitability.
- Cash flow generation also strengthened materially. Operating cash flow rose 82% to US\$76,2 million, implying a cash conversion ratio of approximately 61% relative to EBITDA. This reflects solid earnings quality, albeit with some impact from working capital movements and tax payments.
- Free cash flow increased sharply to over US\$60 million, providing the company with enhanced flexibility to fund growth initiatives, particularly the development of Bilboes.

Balance sheet strengthens

One of the most notable shifts in FY2025 was Caledonia's transition into a net cash position of US\$23,8 million, compared to net debt in the prior year. Total assets grew to approximately

US\$412 million, while equity increased to US\$283,5 million, reflecting retained earnings and improved profitability. Leverage remains minimal, with a debt-to-equity ratio of roughly 0.04 times, positioning the company conservatively relative to many mining peers. This strong balance sheet, combined with the recent convertible capital raise, provides sufficient headroom to fund medium-term growth without immediate equity dilution pressure.

Dividend yield divergence

Caledonia maintained its quarterly dividend at 14 US cents per share, bringing the annual payout to 56 US cents. However, the yield varies significantly across markets due to pricing disparities. On the VFEX, the yield is approximately 0,8%, compared to 2,6% on the NYSE and 2,5% on AIM. This divergence reinforces the extent of the VFEX premium, where elevated pricing compresses income returns despite identical underlying distributions.

Investor insights

1. Investment into frontier equity markets requires a structured approach, balancing asset quality with market accessibility and exit feasibility.
 - a. Asset quality assessment
 - i. Investment into operationally strong companies
 - b. Markets that allow you to hold and trade the asset easily
 - i. NYSE allows ease of trade whereas VFEX does not
 - c. Ease of exit
 - i. is the market sophisticated enough to allow for a realization of the assets value

Strategic entry like into frontier markets gives investors the option to diversify whilst reducing and sharing the risks.

Outlook and conclusion

Caledonia's FY2025 results highlight a company benefiting from favourable commodity dynamics, disciplined cost management and a strengthening balance sheet. With Bilboes progressing toward development, the medium-term growth trajectory remains intact. However, the persistent pricing gap across its listings underscores deeper structural inefficiencies within frontier capital markets. While the arbitrage opportunity is clear in theory, it remains largely inaccessible to most investors due to execution complexity, liquidity constraints and cross-border frictions. Amid rising fuel costs and heightened geopolitical uncertainty, gold producers such as Caledonia are positioned to benefit from sustained safe-haven demand. Yet, on the VFEX, the reality is that such upside is often captured by a narrow pool of well-capitalised participants, leaving retail investors observing from the sidelines.