



Integrated Report 2020

**Invest  
Develop  
Grow**





# In this report



Investment case

**P06**



Highlights 2020

**P13**



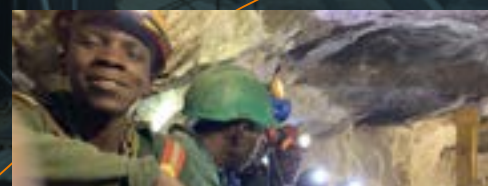
Operational performance

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Operational outlook

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 [www.caledoniamining.com](http://www.caledoniamining.com)



In March 2021 the Central Shaft (which was a 6-year project costing approximately \$67 million) was commissioned. We are well-positioned to achieve our 2021 production target of between 61,000 and 67,000 ounces of gold, and our target of 80,000 ounces of gold per annum from 2022. In addition, we continue to explore the Connemara North property in respect of which we acquired a option in late 2020. We continue to evaluate other investment opportunities in the gold sector – in Zimbabwe and elsewhere.





# Caledonia – Overview

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# Who we are

Caledonia has a strong, experienced management team and board of directors (“the Board”) with diverse expertise in gold mining, exploration, mine and infrastructure development, finance, marketing and social governance. The group’s management team is based in Jersey, Channel Islands, Johannesburg, South Africa and London, United Kingdom.

Caledonia operates the Blanket mine and is also exploring for other gold deposits in Zimbabwe.

Caledonia Mining Corporation Plc’s (“Caledonia” or the “Company”) shares are listed on the NYSE American LLC (“NYSE American”) and depositary interests in the shares are traded on the AIM of the London Stock Exchange plc (symbol CMCL). Caledonia voluntarily delisted from the Toronto Stock Exchange (the “TSX”) on June 19, 2020. Caledonia is considering a listing on the Victoria Falls Stock Exchange in Zimbabwe.

Caledonia’s immediate strategic focus is to convert the commissioning of Central Shaft into higher production, lower costs per ounce and increased cash generation. We continue to evaluate Connemara North and further investment opportunities in the gold sector in Zimbabwe and elsewhere, with our long-term vision of becoming a mid-tier, multi-asset gold producer.

Caledonia’s primary asset is a 64% ownership in the Blanket Mine (“Blanket”), which is located in the south-west of Zimbabwe approximately 15 km west of Gwanda, the provincial capital of Matabeleland South. Gwanda is 150 km south east of Bulawayo the country’s second largest city and 196 km northwest of the Beit Bridge Border post with South Africa and 560km from Harare, Zimbabwe’s capital city. Access to the mine is by a tarred road from Gwanda, which is linked from Beit Bridge to Bulawayo and Harare by a national highway.

In 2015 Caledonia embarked on an investment plan at Blanket that entailed sinking the Central Shaft to a depth of over 1200 meters, upgrading the metallurgical plant and performing substantial underground development. The investment plan is expected to increase production from 57,899 ounces of gold in 2020 to between 61,000 and 67,000 ounces in 2021 and to 80,000 ounces from 2022 onwards.

Planned growth in production ounces from 2015 to 2022

# 87%

Self-funded investment in the Central Shaft from 2015 to 2021

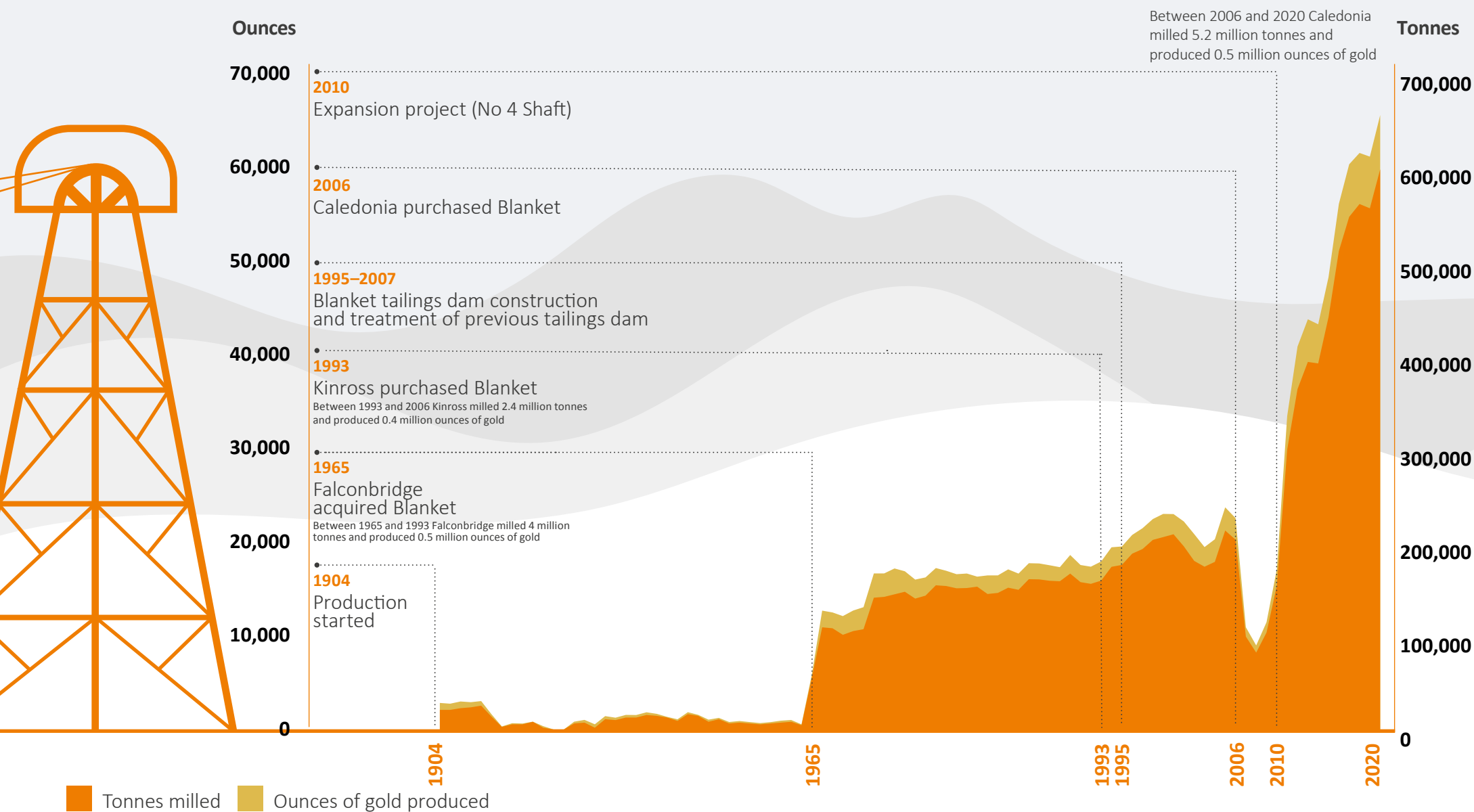
# \$67m

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## Who we are continued

## Blanket production 1904 to 2020





# Investment case

Caledonia is a profitable, cash generative gold producer with a strong growth profile. Caledonia's primary asset is Blanket which produced 57,899 ounces of gold in 2020 at an All-in Sustaining Cost of \$946/oz.




## Substantial production growth – self funded

- 38% expected increase in production ounces from 2020 to 2022
- Expected rising cash generation from 2021
- Strong anticipated future cash generation increases cash resources available for strategic purposes



## High Margin Operations

- 2020 Gross profit margin of 47% (2019: 41%)
- Operating costs are expected to decrease as the new Central Shaft ramps up due to increased production volume, economies of scale and better mine efficiencies



## Strong Management Team

- Excellent in-country relations
- Proven track record of operating reliably and profitably in Zimbabwe



## New investment opportunities in Zimbabwe

- Zimbabwe is a highly prospective and under-explored gold region
- Caledonia is uniquely positioned: a strong local presence
- The Zimbabwean government has a commercial and pragmatic approach with several encouraging policy measures
- Genuine attempts to stimulate investment e.g. the removal of indigenisation requirement

## Investment case continued

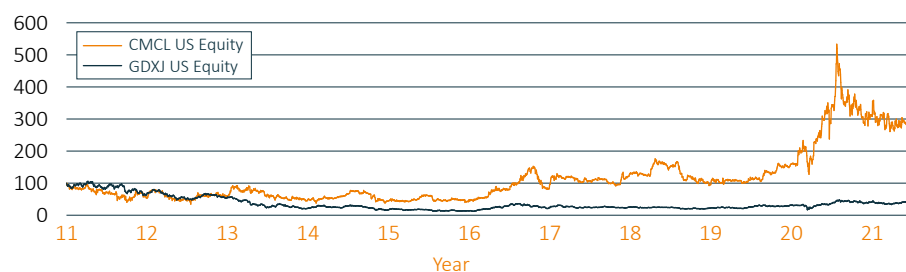
## Share performance and dividend yield

→ One of the highest dividend yields in the gold industry

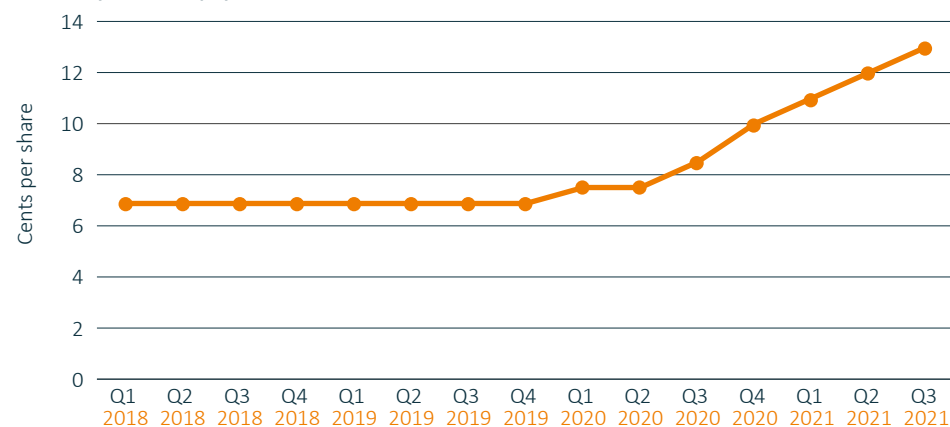
→ Higher planned production and lower costs could support a continued increase in dividends



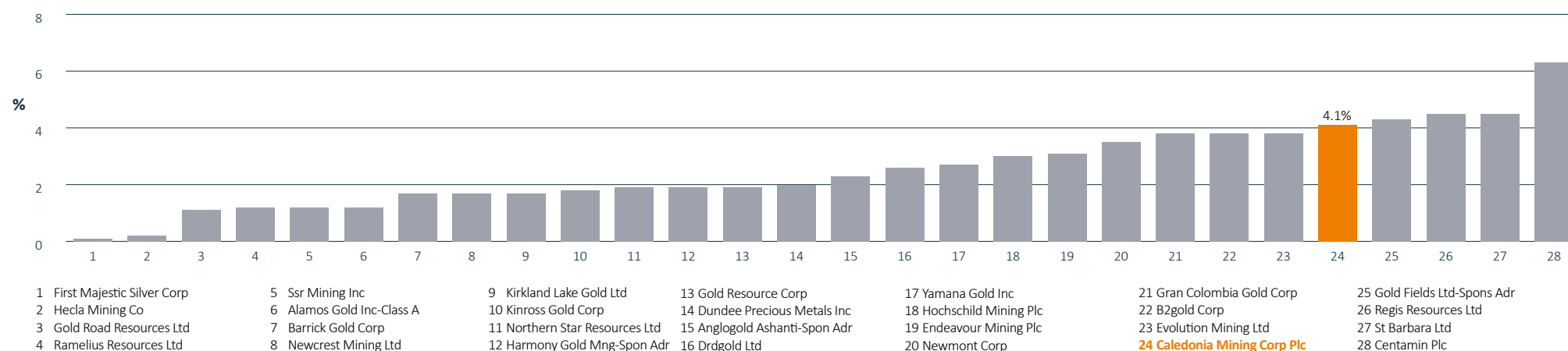
Caledonia US Equity vs GDXJ Total Return Index up to July 30, 2021 (Rebased to 100)



Quarterly dividend payments



Dividend yield of Caledonia compared to 27 other companies on GDX &amp; GDXJ – July 30, 2021





# Scope of the report

This inaugural integrated report (“IR”) provides information on our business, operating environment and performance. We also show the inclusive value that is generated for all stakeholders of Caledonia and we demonstrate the sustainability of our growth profile.

## FRAMEWORK OF REPORT AND GOVERNANCE STRUCTURE

Our IR is based on the principles contained in the International Reporting Framework (“the International <IR> Framework”) published by the International Integrated Reporting Council (“IIRC”). We also ensure that we comply with the laws and regulations of the Companies (Jersey) Law 1991, as amended, the Sarbanes-Oxley Act (“SOX”), Securities Exchange Act of 1934, NYSE American and AIM. After the delisting from the TSX the Company remains a Canadian reporting issuer and is subject to Canadian securities and reporting laws. We also adopt the Quoted Companies Alliance (“QCA”) Corporate Governance Code.

## REPORTING PERIOD

The IR covers the period from January 1, 2020 to December 31, 2020. Any material events up to the Board’s approval date of this report have also been included. The report should be read in conjunction with our Consolidated Financial Statements.

## REPORTING BOUNDARIES

This IR covers Caledonia and its subsidiaries.

All references to Caledonia, the group, or the Company refer to Caledonia and its subsidiaries.

The financial information contained in this report was extracted from the Consolidated Financial Statements.

 Consolidated Financial Statements can be found at: [www.caledoniamining.com/investors/reports-presentations/](http://www.caledoniamining.com/investors/reports-presentations/)

## Caledonia’s suite of reports are as follows:



### INTEGRATED REPORT (“IR”)

Review of the Company’s performance, financial condition, and future prospects by linking the business model and stakeholders’ interests.



### MANAGEMENT’S DISCUSSION AND ANALYSIS (“MD&A”)

Required by Canadian regulations and filed on SEDAR; this accompanies quarterly financial statements and provides a narrative explanation of Caledonia’s financial statements and other statistical data that give a better understanding of our financial performance, changes in financial condition and results of operations.



### CONSOLIDATED FINANCIAL STATEMENTS (“FS”)

Caledonia’s Consolidated Financial Statements contains the financial results for the year ended December 31, 2020.



### MANAGEMENT INFORMATION CIRCULAR (“MIC”)

A disclosure document containing prescribed information in connection with the solicitation of proxies to be used at the annual general meeting of shareholders.



### ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (“ESG”)

Review of Caledonia’s environmental, social and governance performance.



### ANNUAL REPORT ON FORM 20-F (“20-F”)

Caledonia’s Annual Report which is filed with the United States Securities and Exchange Commission (SEC).



### TECHNICAL REPORT (“TR”)

Report pursuant to the National Instrument 43-101 technical reporting standard developed by the Canadian Securities Administrators that specifically applies to mineral projects.



 These reports are available on our website [www.caledoniamining.com](http://www.caledoniamining.com)

## Scope of the report continued

Our suite of reports complies and/ or mapped with the following reporting standards and frameworks:

	IR	ESG	MD&A	20-F	FS	MIC	TR
The International Integrated Reporting Framework <sup>1</sup>	●						
International Financial Reporting Standards ("IFRS") <sup>1</sup>			●	●	●		
Global Reporting Initiative ("GRI") <sup>2</sup>		●					
United Nations ("UN") Sustainable Development Goals ("SDGs") <sup>2</sup>		●					
SEC rules and regulations <sup>1</sup>				●			
Sarbanes-Oxley Act of 2002 <sup>1</sup>				●	●	●	
National instruments (Canada) <sup>1</sup>			●			●	●

1 Complies

2 Mapped

### OPERATING BUSINESSES

The IR includes a review of our operating and financial performances during the reporting period.

### MATERIALITY

Materiality determines the context and extent of disclosure of any material issues relating to the group. Caledonia's Board considers materiality from a quantitative and qualitative perspective in preparing the IR.

Refer to [page 70](#) of this report where Caledonia's material risks are identified and the mitigation thereof discussed.

### COMBINED ASSURANCE

Caledonia's combined assurance model ensures that proper assurance is obtained in preparing the IR. This is achieved by using the appropriate resources to provide the ultimate benefit for Caledonia and its stakeholders, being an enhancement of controls, better management of risks and/or cost-efficiency.

This IR is not audited, but has been reviewed and approved by the Caledonia Board and reviewed by management and the internal audit department.

Contributions from management and other internal sources have been used to gather information to compile this report.



### FORWARD LOOKING STATEMENTS

Refer to [page 83](#) of this report where the forward-looking statements within the meaning of section 27A of the U.S. Securities Act of 1933, as amended, or the Securities Act, and section 21E of the U.S. Securities Exchange Act of 1934, as amended, or the Exchange Act, with respect to Caledonia's financial position, production and cost targets, project target, operating performance and other matters are discussed.

### BOARD STATEMENT

The Board is ultimately responsible for ensuring the integrity of the IR and is satisfied that the internal controls implemented by management are effective. We confirm that the IR addresses all material issues and matters, and fairly represents the group's integrated performance.

On behalf of the Caledonia Board:

**Leigh Alan Wilson**  
Non-executive  
Chairman  
September 6, 2021

**Steve Curtis**  
Chief Executive  
Officer  
September 6, 2021

# From the CEO's desk

## OVERVIEW OF 2020

### COVID-19

It is impossible to review 2020 without commenting on COVID-19. Zimbabwe and South Africa responded quickly and aggressively to the crisis by imposing strict national lockdowns. Notwithstanding the lockdown, the Zimbabwean government encouraged the gold sector to continue production with revised operating procedures to reduce the risk of virus transmission amongst workers. The lack of warning gave us no time to prepare for the lockdown; closure of the border with South Africa and disruptions to the supply chain meant that for an extended period we operated using inventories of consumables and spare parts available at Blanket.

We responded rapidly to protect our workforce from infection. Blanket employs over 1,700 people and supports a mine village with a population of approximately 6,000 people. We introduced strict entry controls to the village and the mine and we modified our working practices to reduce the number of employees who were lowered underground at a given time. During 2020 only one case of COVID-19 was recorded. Reported COVID-19 cases increased in 2021 with the advent of the third COVID-19 wave in Southern Africa. Preventative actions at the mine were put in place to curb the effects of the COVID-19 outbreaks. I thank mine management for taking such decisive action and Blanket's employees and their families who accepted unprecedented restrictions on their normal activities with stoicism and forbearance.

The national lockdowns and our measures to protect our workforce had limited effect on production in 2020: gold production in 2020 of 57,899 ounces was at the top end of our expectations and set a new production record for Blanket.

COVID-19 did, however, have an adverse effect on the Central Shaft. Restrictions on the movement of specialist personnel and equipment from South Africa to Zimbabwe meant that we could not complete the highly specialised tasks that were necessary to complete the project at the end of 2020.

"The national lockdowns and our measures to protect our workforce had limited effect on production in 2020: gold production in 2020 of 57,899 ounces was at the top end of our expectation and set a new production record for Blanket."



**Steve Curtis**  
Chief Executive Officer



### COVID-19 Donations

**\$1.3m**

### Expected yearly production ounces from 2022 onwards

**80,000**



## From the CEO's desk continued

Also, the reduced number of underground personnel meant we were unable to maintain the planned rate of development to connect the Central Shaft to the working areas. The Central Shaft was commissioned at the end of March 2021, five months later than planned.

COVID-19 had a minor effect on operating costs in 2020 and 2021 because of the cost of protective equipment and sanitisers and some incremental labour costs.

Blanket's corporate and social investment programme was re-focussed onto the fight against COVID-19 and I am pleased to report that Blanket's total contributions in this area amounted to \$1.3 million in 2020, representing 1.3% of turnover. Our corporate and social investment activities are described more fully in the inaugural ESG report found on Caledonia's website\*.

### Other operational matters

The COO's report provides more context on operational matters, but 2020 was an excellent year from an operational perspective. The increased production in 2020 reflects the confluence of several measures that management has taken in recent years which include:

- A new approach to employee engagement via the Nyanzvi initiative. The primary focus of Nyanzvi is safety training, but it also provides a forum for management and employees to engage constructively on matters;
- A revised bonus structure which better aligns employee remuneration with operational objectives; and
- The investment in 2019 and early 2020 in a new oxygen plant which improved recoveries at higher tonnages and reduced cyanide consumption.

The main operational challenge at Blanket continues to be the poor quality of the utility power supply which obliges us to use standby diesel generators and results in higher operating costs and lost production because of equipment cutting-out due to voltage surges and the time it takes to switch the utility power to generators. To address this problem, we are constructing a 12MWac solar plant which is expected to provide about 27% of Blanket's average daily electricity requirements.

### CENTRAL SHAFT

The shaft was commissioned in March 2021 instead of October 2020 due to COVID-19 delays which has deferred the anticipated increase in production and is reflected in our production guidance for 2021 of between 61,000 and 67,000 ounces. There is no change to our production guidance of approximately 80,000 ounces of gold per annum from 2022.

The shaft is currently hoisting the waste from the development areas to connect the shaft to the pre-developed production areas. Production from Central Shaft is expected to commence later in 2021.

I am proud to note that the project was completed without serious accidents or injuries – a notable feat given the inherent danger of shaft-sinking operations. Other than a small supervisory team from South Africa, the work was done by Blanket's own employees, for which they, Blanket's management, and the technical team at Caledonia under the direction of the COO deserve credit.

The Central Shaft project cost approximately \$67 million and was self-funded from internal resources. The low capital intensity of the shaft locks-in Blanket's long-term capital efficiency and profitability.

Completion of Central Shaft opens a new chapter for the group. At Blanket, production is expected to increase to 80,000 ounces per annum, costs are expected to fall because of economies of scale, operating efficiencies are expected to be realised and capital expenditure is expected to reduce. These factors are anticipated to substantially increase Blanket's profitability and cash generation. Improved access to the deeper areas of the mine will also allow deep-level exploration to re-start and we are optimistic that Blanket's resource base should increase, thereby extending its life of mine beyond the current horizon of 2034. Completion of the Central Shaft is also expected to give Caledonia the financial and managerial capacity to evaluate and implement new growth projects as discussed further below.

### OUR PEOPLE

The Company's success depends on its management and workforce at Blanket, Harare, Johannesburg, London and Jersey. As already discussed, we have radically changed the way we engage with our workforce at Blanket via the Nyanzvi initiative, which has resulted in better safety performance and operational improvements. The new bonus structure at Blanket has increased the rewards for staff members who perform well and incentivised others to improve their performance. We have increased the component of Blanket's employee remuneration that is paid in US Dollars to further insulate them from local currency devaluation. However, as Blanket does not receive all its revenues in US Dollars, our ability to move further in this regard is limited. Blanket provides training and educational programmes for its employees to develop their potential and it offers year-long, fully-paid bursaries to almost 30 tertiary students as part of their studies. We believe that Blanket is the premium employer in the Zimbabwe gold industry: we aim to retain this position so that we can continue to attract and retain the very best staff.

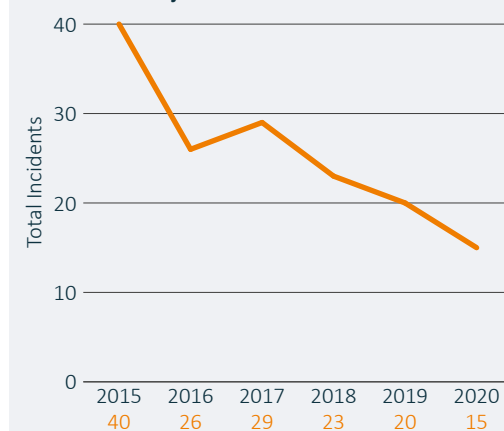
Within the group we made several appointments in 2020 to broaden and strengthen the management team and give it the capacity to manage a larger business and to respond to the additional expectations that flow from our higher market capitalisation. New appointments include:

- Mineral resource manager (Ms. Janet Hobkirk);
- Rock engineer (Mr. Pieter Greyling);
- Vice president investor relations (Ms. Camilla Horsfall); and
- Group internal auditor (Ms. Leonet Steyn)


### Health and safety

Safe operating is non-negotiable and I am pleased that over the last few years the safety performance at Blanket has improved. We have significantly increased the number of employees and contractors at Blanket in the last few years as we prepare to increase production and the influx of new employees, who are often younger and less experienced, creates the challenge to inculcate our established safety ethos. The Nyanzvi initiative which was introduced and pioneered by the COO has been an invaluable resource to help us manage this process.

### Work related injuries\*



\* Total incidents include fatal injuries, lost time injuries and restricted work injuries.

 \* <https://www.caledoniamining.com/investors/esg-report/>

## From the CEO's desk continued

### ENVIRONMENT

The Company adheres to high operating standards to minimise our environmental footprint and comply with all relevant legislation. In parallel with the IR, we also published our inaugural ESG report\*, which provides more information on this area. I draw attention to the following highlights in this area:

- We are constructing a 12MWac solar power plant to provide approximately 27% of Blanket's daily electricity requirements. We embarked on this project because the continued deterioration in the utility supply means that we make increased use of diesel generators. We do not expect the utility power to improve and we anticipate Blanket's electricity demand will increase as we increase production to 80,000 ounces per annum. We will evaluate a second phase solar project which could provide all of Blanket's daytime electricity requirements, but this may need us to reach a commercial agreement with the Zimbabwe authorities to deal with surplus power that would be generated or evaluate the cost of adding an energy storage solution;
- **Tailings** – We operate an “upstream method” tailings facility at Blanket which is situated on a commercial farm where human dwelling is very sparse. The nearest habitation (the farm owner's house) is 4.5km from the facility. The area is not prone to landslides or flooding. Rehabilitation is carried out on the slope of the tailing facility which, in addition to its clear environmental advantages, also has the added benefits of reducing wind erosion and dust formation. Refer to Caledonia's website for information regarding tailings management\*\*.

### ZIMBABWE

Operationally, Zimbabwe is less challenging than many other African jurisdictions. We benefit from a highly educated population with relevant commercial and technical experience; other than electricity, the infrastructure is reasonable; and the safety and security of our personnel and our operations is not a significant concern. International stakeholders frequently express concern at the high level of inflation in Zimbabwe. Provided we continue to be paid most of our revenues in US Dollars and we receive local currency at a reasonable rate of exchange, inflation is not a challenge to our operations.

The most significant difficulty in Zimbabwe is the administrative complexity for transporting goods and equipment across borders and effecting commercial payments from Zimbabwe for imported goods and services and the repatriation of profits. Caledonia has operated successfully in Zimbabwe since 2006 and we have highly experienced personnel at Blanket and at our offices in Harare, Johannesburg and Jersey who make sure that we operate effectively within the complex and frequently changing regulatory environment. The CFO's report provides further information on our financial performance in 2020.

### STRATEGY AND OUTLOOK

The commissioning of Central Shaft at the end of March 2021 means we are within a few quarters of achieving the target production level of 80,000 ounces of gold per annum from 2022 onwards. This will increase our financial capacity to evaluate and implement new projects in addition to being able to share incremental cash flows with shareholders by further increases in the Caledonia dividend. Completion of Central Shaft also frees up our technical team who would be needed for such projects.

We believe that Zimbabwe is geologically highly prospective for gold and it has suffered from a marked lack of formal exploration in recent decades. Towards the end of 2020 Caledonia acquired the exclusive right to explore the Glen Hume and Connemara North exploration properties. Caledonia has completed sufficient geophysical, metallurgical, geological drilling and sampling work to confirm the strike extension of the orebody at Glen Hume. This work has established that the orebody at the Glen Hume property will not meet Caledonia's strategic requirements in terms of size, grade and width and will not exercise the option over this property. Caledonia has created a conceptual geological model from a volume of geological data which is being used to inform the scope of work for a greenfield exploration programme, which is expected to commence in the third quarter of 2021. Caledonia continue to explore the Connemara North property.

**Steve Curtis**

Chief Executive Officer

**The Company paid a quarterly dividend of 11 cents per share in January 2021, 12 cents per share in April 2021 and 13 cents per share in July 2021. The July 2021 dividend represents the sixth increase in the quarterly dividend in the last 21 months. The total dividend per share paid in 2020 amounted to 33.5 cents – a 21.8% increase from 2019.**

**The robust operating performance was supported by a rising gold price: gross profit for 2020 was \$46.7 million – almost 50% higher than 2019.**



\* <https://www.caledoniamining.com/investors/reports-presentations/>

\*\* <https://www.caledoniamining.com/investors/tailings-disclosure/>

# Highlights 2020

Gold produced

## 57,899 oz

2019: 55,182 oz

**Comment:**

Gold production for 2020 was 4.9% higher than in 2019. The higher production in 2020 was due to increased tonnes milled and higher recovery the effect of which was offset somewhat by a lower grade.

Gross profit<sup>2</sup>

## \$46.7m

2019: \$31.1m

**Comment:**

Gross profit is higher due to the higher gold price and higher production offset by increased production costs.

Net cash and cash equivalents

## \$19.1m

2019: \$8.9m

**Comment:**

Cash increased due to a \$13m (gross) equity issue in 2020 earmarked for the solar plant construction cost.

On-mine cost per ounce (\$/oz)<sup>1</sup>

## 744

2019: 651

**Comment:**

On-mine costs increased due to COVID-19 costs, higher share-based payment expense, increased diesel usage and increased maintenance costs on trackless mining equipment.

Net profit attributable to shareholders

## \$20.8m

2019: \$42m

**Comment:**

Net profit for 2020 was lower than 2019. 2019 benefitted from foreign exchange gains, profit on the sale of a subsidiary and income from Zimbabwean government grants.

Net cash from operating activities

## \$31m

2019: \$18.1m

**Comment:**

Improved cash generation due to the higher gold price and production ounces.

All-in sustaining cost (\$/oz)<sup>1</sup> ("AISC")

## 946

2019: 820

**Comment:**

AISC increased due to higher on-mine costs, higher administrative expenses due to the increased cost of insurance and higher wages and salaries.

Basic IFRS earnings per share ("EPS") (cents)

## 173.4

2019: 382.0

**Comment:**

IFRS EPS reflects the movement in IFRS profit attributable to shareholders after adjustment for increased shares in issue.

Dividends paid (cents per share)

## 33.5

2019: 27.5

**Comment:**

Increased cash availability and profits allowed for higher dividends to shareholders.

Average realised gold price (\$/oz)<sup>1</sup>

## 1,749

2019: 1,382

**Comment:**

The average realised gold price reflects higher international spot gold prices. It excludes revenues from the export credit incentive and predecessor incentive schemes.

Adjusted EPS (cents)<sup>1</sup>

## 204.2

2019: 145.1

**Comment:**

Adjusted EPS excludes foreign exchange gains and losses and profit on disposal of a subsidiary, which benefitted 2019.

- 1 Non-IFRS measures such as "On-mine cost per ounce", "AISC", "average realised gold price" and "adjusted EPS" are used throughout this report. \* Please refer to [page 47](#) and [page 52](#) for full explanation.
- 2 Gross profit is after deducting royalties, production costs and depreciation but before administrative expenses, other income, interest and finance charges and taxation.



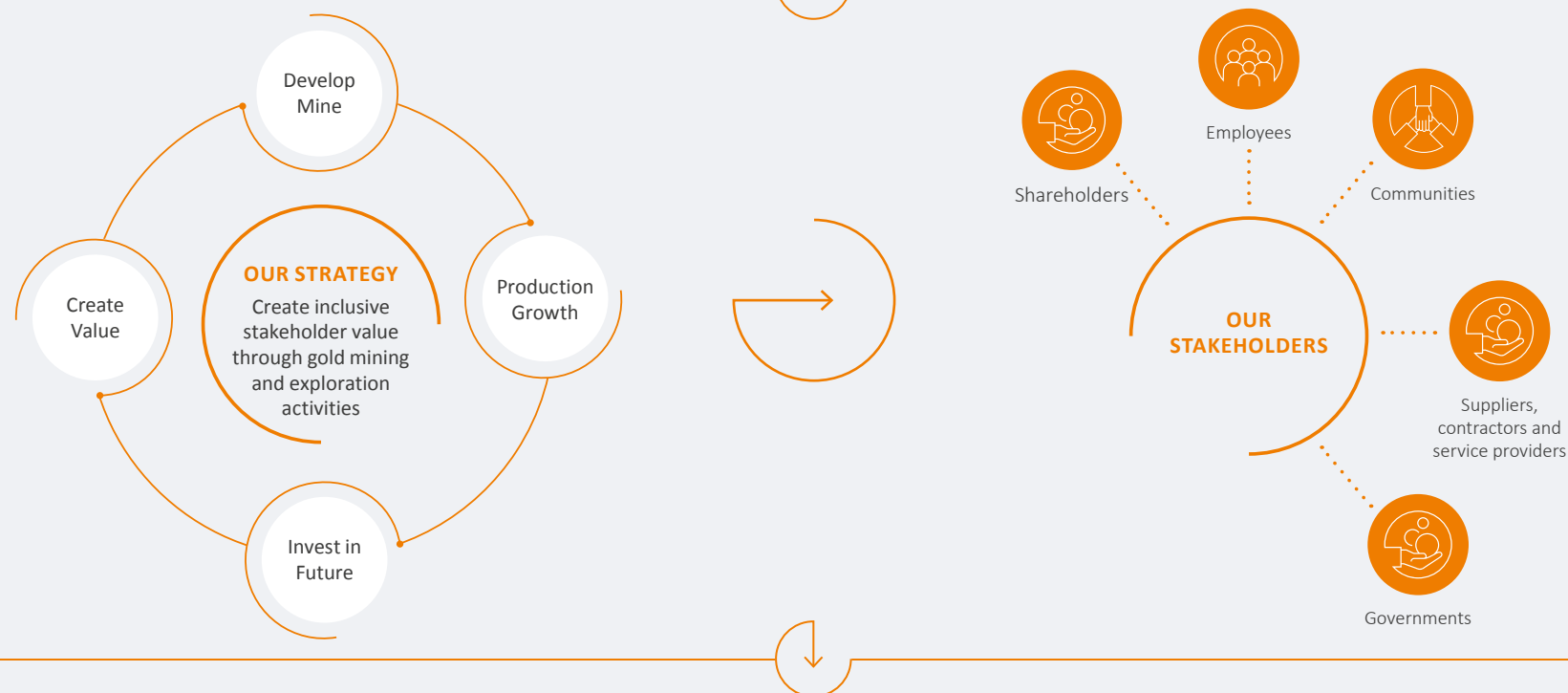
# Our business and strategy

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# Our strategy

## OUR PURPOSE

Create sustainable benefits for all stakeholders; improve the livelihoods of our workforce and contribute to the economies of our host countries.



## STRATEGIC FOCUS AREAS

### Building on existing relationships

Maintain good relationships with all stakeholders.

### Efficient financial positioning

Financial nimbleness achieved by increasing liquidity, raising equity for sustainable projects and maintaining an increasing dividend.

### Enhancing owned assets

Exploration of existing mining assets to extend life of mine.

### Business development

Evaluate exploration opportunities and identify new mining opportunities.

### Operating excellence

Use our operating knowledge to optimise performance of our assets.

### Increase stakeholder value

Create inclusive growth for all Caledonia stakeholders

# Business model

## OPERATING ENVIRONMENT

The political and monetary environments, global economic growth, financial market conditions, regulatory changes and supply chain all have an impact on our business model and ability to create value. These factors are monitored closely to ensure that risks are mitigated and opportunities are managed.

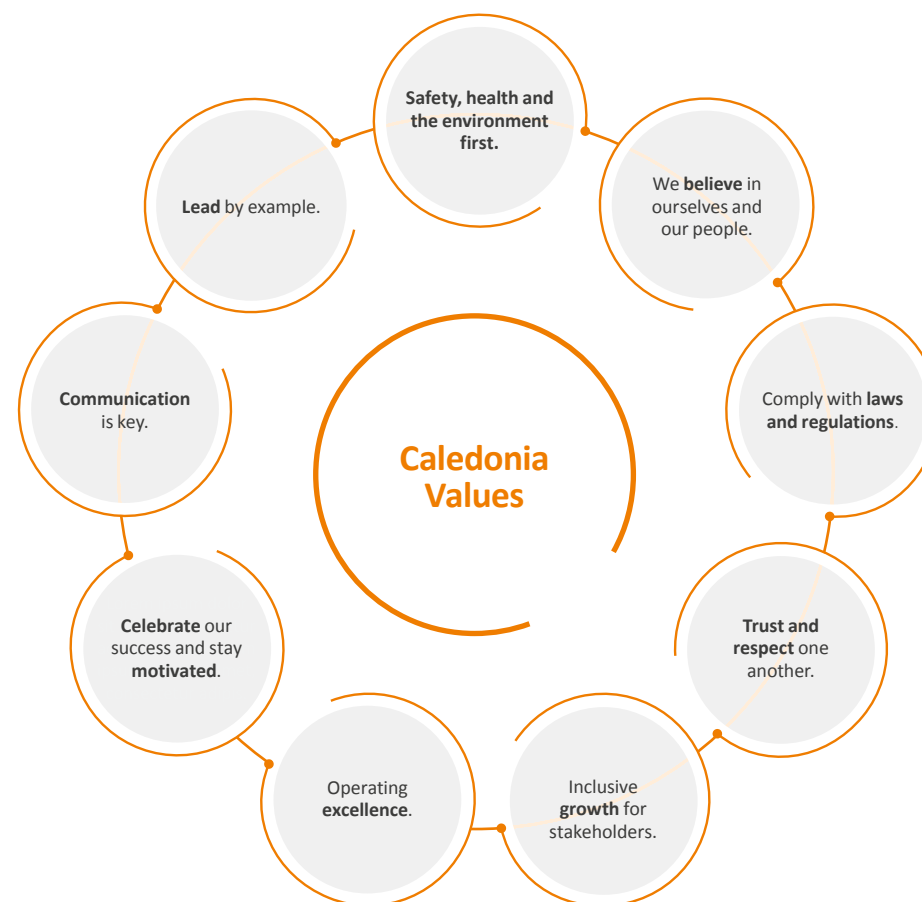
## STAKEHOLDER RELATIONSHIPS

It is very important for us to maintain sustainable relationships with our stakeholders as they have a big impact on our business model and value creation. Ensuring continuous and effective feedback will help us to better understand what our stakeholders expect from us and manage potential risks that may affect our ability to sustain and grow our business.



## OUR VALUES

Caledonia's strategic focus areas go hand-in-hand with our values.



Business model continues





# How we create value

## Inputs



### Human Capital

- Our employees are specialised, experienced, knowledgeable and skilful.
- The health and safety of our employees is of great importance to us.



### Manufactured Capital

- Caledonia optimised Blanket's property, plant and equipment to grow production and achieve operational flexibility at the mine. During 2020 Caledonia improved Blanket's infrastructure by installing a new oxygen plant to increase recoveries and reduce costs.



### Financial Capital

- Caledonia is funded predominantly from operating cash flows.
- An equity raise was done to fund construction of the solar project.
- Caledonia has demonstrated a commitment to paying dividends.

→ Go to [page 40](#) to find out more



### Social and Relationship Capital

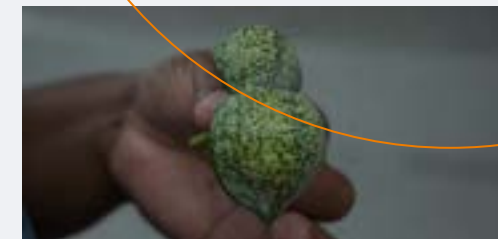
- Maintain good, sustainable relationships with our stakeholders.
- Invest in our communities and their health through CSR initiatives.
- 34% local ownership in Blanket facilitated by Caledonia.



### Intellectual Capital

- Mining systems, mining processes, mining licenses, internal controls and safety procedures within Caledonia allow us to produce at optimum levels. Safety procedures enable us to increase output responsibly.

→ Go to [page 28](#) to find out more



### Natural Capital

- Caledonia is aware of and takes responsibility for sustainable consumption of natural resources. We ensure that rehabilitation is planned upfront to minimise our environmental footprint.

Business model continues



## How we create value continued

# Our business process



Business model continues



## How we create value continued

## Outputs 2020

Revenue

**\$100m**

Tonnes milled

**597,962**Payments to Zimbabwean government  
(excluding royalties)**\$10.6m**

Gross profit

**\$46.7m**

Gold Produced 2020

**57,899 oz**

Capital investment

**\$27.8m**

Dividends paid to Caledonia shareholders

**\$3.9m**

Adjusted earnings per share (cents)

**204.2**

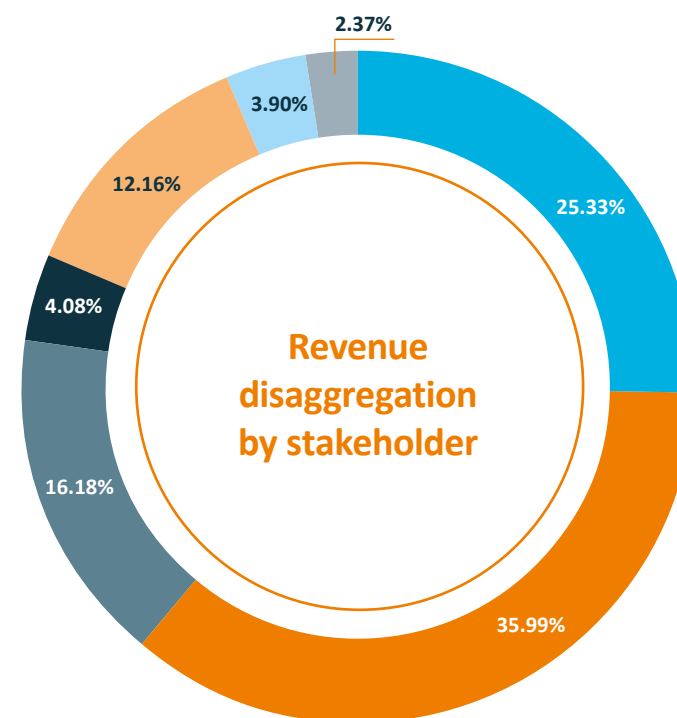
Salaries and bonuses

**\$20.2m**Dividends paid to workers, community and  
Zimbabwean government**\$0.8m**

Cash from operations

**\$38m**

Cash raised for solar plant

**\$13m**

- Suppliers - Zimbabwe
- Suppliers - outside Zimbabwe
- Employees - Zimbabwe
- Employees - outside Zimbabwe
- Zimbabwean government
- Caledonia Shareholders
- Communities, donations, environmental and indigenous shareholders

Business model continues





## How we create value continued

# Outcomes

### Human Capital

- Experienced board with a good track record and implementation of good corporate governance practices
- Implementation of world class safety and mining practices
- Improved safety statistics: 25% decrease from 2019 in total work related injuries
- Retention of key personnel with appropriate skills, knowledge and experience
- \$20m paid to employees across the group
- Blanket employees through a trust, own 10% of the Blanket mine
- Low staff turnover

### Manufactured Capital

- Central shaft equipping completed, commissioned and operational
- Total capital cash spend for 2020 amounted to \$27.8m (includes Central Shaft CAPEX of \$10.6m). Sustaining capital cash spend amounted to \$0.8m, non-sustaining capital cash spend amounted to \$27m
- Concluded Solar EPC agreement and obtained all required solar licenses. Solar Plant construction expected to be completed by April 2022
- \$2.8m cash spend on new exploration options included in the capital expenditures above
- Gold production of 57,899 oz in 2020

### Financial Capital

- Dividends paid of 33.5 cents per share in 2020
- Adjusted earnings per share of 204.2 cents in 2020
- 32% increase in revenue compared to 2019
- NYSE American share price up 88% from December 31, 2019 (\$8.46 per share) to December 31, 2020 (\$15.88 per share)
- 26.7% increase in net asset value from 2019

### Social and Relationship Capital

- \$10.6m paid to the Zimbabwean government, excluding royalties. Find out more on [page 36](#)
- Approximately \$1.3m donated to support the fight against COVID-19
- \$1.7m paid to the community and social investment projects (excluding dividends and facilitation loans repayments)
- \$3.3m paid to indigenous shareholders in 2020 (\$1.73m facilitation loans, \$0.73m advanced dividend loan repayments and \$0.83m as cash).

### Intellectual Capital

- The highly complex Central Shaft project was completed using our own labour with zero serious incidents
- Blanket mine operates under Zimbabwean management – no ex-pat managers
- We successfully operate in a highly complex Zimbabwe environment which is subject to frequent changes

### Natural Capital

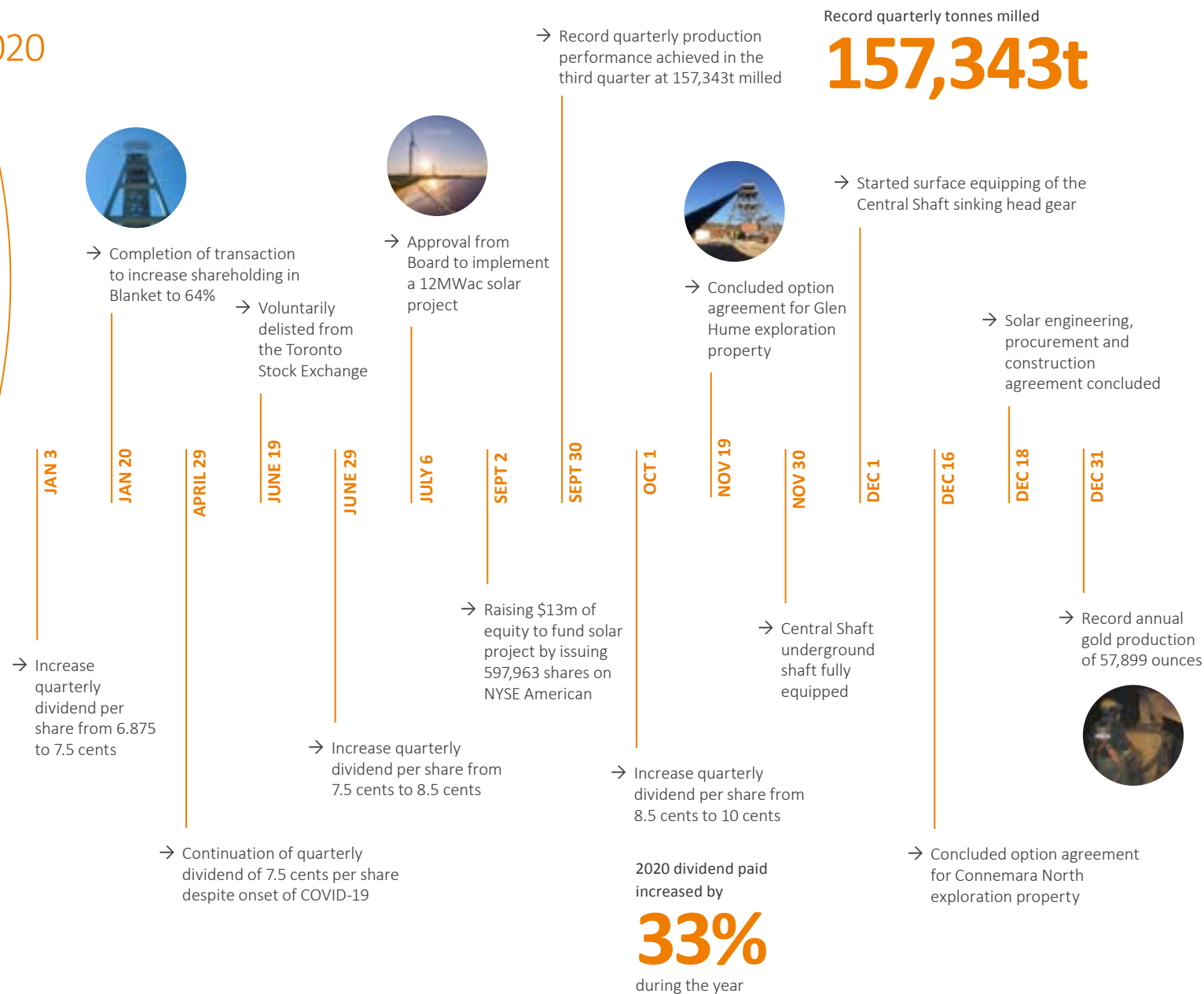
- Water usage – 2,255,264m<sup>3</sup>
- Industrial waste (Landfill) – 2,234m<sup>3</sup>
- Power usage (ZESA) – 65,945,993kWh
- Generator diesel consumption – 1,903,169 litres
- Tonnes tailings – 487,846t
- \$3.6m environmental rehabilitation provision


















## How we create value continued

## Strategy implementation 2020

A timeline to show how Caledonia implemented its strategy during 2020.



# Key performance indicators

Capital	Key Performance Indicator ("KPI")	Target	2020	2019	Target achieved	Type of Assurance
Human	Safety performance	Reduction in total work related injuries	15 incidents	20 incidents	  5 incidents	M MD&A
	Employee bonuses	A company goal aligned remuneration strategy	\$4.4m	\$1.1m	  300%	M AFS
	Blanket Employee Trust Services (Private) Limited ("BETS") Dividends	Increase in BETS's gross dividend (trickle and facilitation loan) from the prior year	\$0.9m	\$0.5m	  80%	M AFS
Manufactured	Gold Produced	Meeting production guidance	57,899 oz	55,182 oz	 2020 guidance: 55,000 oz – 58,000oz	MD&A
	On-mine cost per ounce	Meeting cost guidance	\$744/oz	\$651/oz	 2020 guidance: (\$/oz): 693-767	MD&A
	Capital projects	Completion of the Central Shaft project	Completion of shaft underground equipping	Shaft sinking below 1,200 meters (approx. 4,000 feet)	 Delay in completion due to COVID-19 restrictions	M MD&A
Financial	Gross profit	Increase from the prior year	\$46.7m	\$31.1m	  50%	AFS
	Net cash from operating activities	Improved cash generation	\$31m	\$18.1m	  71%	AFS
	Adjusted EPS (cents)	Increase profitability per share	204.2	145.1	  41%	AFS

## ASSURANCE AND TARGET INDICATORS:















 Target met 
  In progress 
  Target not met 
  Increase 
  Decrease

M = Management assurance.

AFS = Financial information extracted from the Consolidated Financial Statements.

MD&A = Extracted from the 2020 Caledonia Mining Corporation Plc MD&A.

## Key performance indicators continued

Capital	Key Performance Indicator ("KPI")	Target	2020	2019	Target achieved	Type of Assurance
Social and Relationship	Investment in the community and social contribution	Sustainable community and social investment aligned with the performance of the Company	\$1.7m*	\$0.05m	  3,300%	M MD&A
	Dividends to Gwanda Community Share Ownership Trust ("GCSOT") and National Indigenisation and Economic Empowerment Fund ("NIEEF")	Increased returns to Blanket's indigenous shareholders	\$0.7m	\$0.4m	  75%	AFS M
	Facilitation loans	Decrease in the facilitation loans balances	\$19.2m	\$31m	  38%	AFS M
Intellectual	Mining systems	Installation of new and more efficient equipment and processes to increase recoveries and reduce costs	Upgrading of oxygen sparging system in oxygen plant	Commissioned new oxygen plant		M MD&A
			Installation of an additional ball mill	Installation of additional diesel generators		M MD&A
Natural	Water management	Decrease in m <sup>3</sup> /t usage from the prior year	3.77m <sup>3</sup> /t	3.59m <sup>3</sup> /t	  13%	M
	Waste management	Decrease in m <sup>3</sup> /t industrial waste as production increases	0.004m <sup>3</sup> /t	0.005m <sup>3</sup> /t	  20%	M
	Fires and slurry spills	Decrease in fires and slurry spills	Two fires and one slurry spill	Four fires and three slurry spills	  Fires 50% Spills 67%	M

\* Blanket donated \$1.3 million in helping to curb the spread of COVID-19 and its effects.

## ASSURANCE AND TARGET INDICATORS:

 Target met  In progress  Target not met  Increase  Decrease

M = Management assurance.

AFS = Financial information extracted from the Consolidated Financial Statements.

MD&A = Extracted from the 2020 Caledonia Mining Corporation Plc MD&A.





# Operational review and outlook

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# From the COO's desk

Safe operating

"The increase in tonnes mined and milled in 2020 reflects the success of the measures we have introduced in recent years. We have managed to increase production whilst improving on our safety record."



**Dana Roets**  
Chief Operating Officer



2020 total ounces gold produced

**57,899oz**

2020 total tonnes milled

**597,962t**

2020 gold recovery

**93.8%**

Despite the challenges presented by COVID-19, Blanket achieved an outstanding operational performance in 2020. Highlights include:

- Record annual production at Blanket of 57,899 ounces (2019: 55,182 ounces).
- Gold recoveries have improved following the installation of the new oxygen plant in 2020: gold recovery of 93.8 per cent (2019: 93.4 per cent).
- Underground equipping of the Central Shaft was completed late 2020 and the shaft was commissioned in March 2021.
- Increased awareness in safety procedures has led to an 86 per cent reduction in total accidents from 2015 to 2020.

## SAFETY – THE NYANZVI INITIATIVE

Maintaining safe operations at a deep-level underground gold mine which employs approximately 1,700 people brings immense challenges. These challenges have been compounded in recent years as we increased the number of employees in preparation to increase production to 80,000 ounces per annum. Due to the very low staff turnover, our long-standing employees are well-versed in Blanket's safety ethos; the newer workers however are typically younger, with a higher tolerance for risk-taking.

To address this matter, in 2018 we established the Nyanzvi initiative as a radically new approach to engaging with workers on safety and other matters. The core of this initiative is the belief that individuals respond best when they work within a system of safety rules and regulations which they have co-designed and when they are empowered to take personal responsibility to implement those rules. The Nyanzvi initiative works from dedicated facilities with specially trained facilitators drawn from the workforce.

## From the COO's desk continued

The first step was to engage with a representative cross section of employees to get their views on safety procedures and incorporate these views into a completely revised safety training plan. All workers, including supervisors, management and administration staff, were systematically taken through the training programme.

The Nyanzvi initiative has resulted in a lower level of accidents – although this benefit was diluted towards the end of 2020 because training courses were suspended to maintain appropriate social distancing. I am optimistic there will be further sustainable benefits from this programme when face-to-face training sessions can resume.

An unanticipated benefit of the Nyanzvi initiative is that it has created a forum in which workers and management can raise issues that do not relate to safety. This has been particularly helpful for example to address issues arising from the measures to reduce the transmission of COVID-19 amongst workers and their families.



### PERSONNEL

The rate of employee turnover at Blanket is very low at only 0.42% of the workforce. In part this reflects the lack of alternative employment opportunities in Zimbabwe, but it also reflects Blanket's position as a "premium employer" in Zimbabwe. The wellbeing of our workers is critical to our business especially for the workforce at Blanket who are exposed to the effects of local inflation. In addition to the measures we took to safeguard employees and their families from COVID-19, we took the following steps to protect our workers from the continued economic difficulties in Zimbabwe and to reward them fairly for the contribution they make:

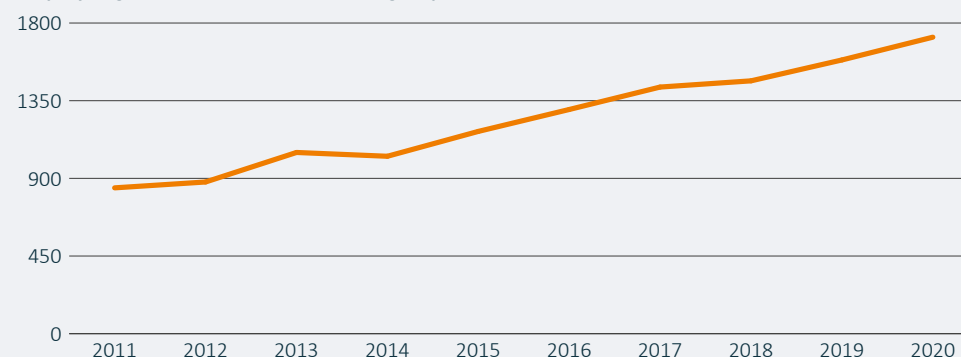
- As a premium employer, our basic salary rates are higher than the level agreed in the collective bargaining process between employers and the main union;
- To protect our workers from local inflation, we escalate their monthly salaries payable in local currency to reflect the devaluation of the local currency against the US Dollar;
- In 2020 we introduced a US Dollar component to Blanket employee remuneration although it should be noted that Blanket has limited flexibility to increase this as Blanket does not itself receive all of its revenues in US Dollars;
- In 2019 the bonus structure was revised to better align the performance of individuals with Blanket's objectives which include safety, production and development; and
- Over 40 employees within the Caledonia group were granted performance units pursuant to Caledonia's omnibus equity incentive compensation plan which vest every year in amounts referenced to Blanket's production and the Caledonia share price performance.

Since 2012, trusts for the benefit of the workers and the community have owned 10% each of Blanket. The trusts currently receive 20% of their attributable dividends that arise from these shareholdings and the remaining 80% repays and services the debt that was extended to the trusts to acquire the shares or as an advance dividend loan. In recent years Blanket's dividends have been depressed because a significant portion of the cash generated from operations was redeployed to fund the Central Shaft. Following the commissioning of Central Shaft in March 2021, it is

expected that Blanket's operating cash flows will increase and its capital investment will fall, thus allowing for higher dividends which would accelerate the repayment of the outstanding loans.

Blanket runs an extensive training programme so that workers can develop new skills so that they can progress their careers within the business. Employees participated in over 800 courses in 2020 covering topics from jackhammer operation, blasting licences and the operation of trackless mining equipment.

Employee growth within the Caledonia group





## From the COO's desk continued

### PRODUCTION

Gold production in 2020 was 57,899 ounces which was at the top end of our expectations and set a new production record for Blanket.

We mined and processed over 597,000 tonnes of ore in 2020 – 7% more than in 2019, representing approximately 1,650 tonnes per day. A further 84,668 tonnes of development waste material was handled much of which related to the development of the Central Shaft so that we can start hoisting from Central Shaft as quickly as possible when it is commissioned. Until the Central Shaft project is fully operational (i.e. when the underground development to connect it to the working areas has been completed) Blanket continues to experience logistical bottlenecks in underground tramping capacity and hoisting capacity at the No. 4 Shaft.

Nevertheless, the increase in tonnes mined and milled in 2020 reflects the success of the measures we have introduced in recent years. We have managed to increase production whilst improving on our safety record.

The achieved grade in 2020 was 3.21 g/t which was lower than the grade of 3.31g/t achieved in 2019, but very close to plan which demonstrates that the grade dilution we experienced in previous years has been addressed. The achieved grade remains below the overall grade of our measured and indicated resources of 3.72g/t.

Recoveries in 2020 averaged 93.8%, an improvement from the 93.4% achieved in 2019 and 92.9% in 2018. The increased recovery means that we are depositing less unrecovered gold onto our tailings. The improved recovery is due to the investment we made in a new oxygen plant and an improved sparging system in 2020; this investment has also resulted in lower cyanide usage from 0.91kg/tonne milled to 0.79kg/tonne milled.

### ELECTRICITY

Utility supply quality and availability is the only significant operational problem in Zimbabwe: Utility power supply is subject to outages or “load-shedding” due to insufficient domestic power generation and voltage surges which can cause damage to Blanket’s electrical equipment. To alleviate the effects of the power issues, Blanket has in recent years invested in 18MVA of diesel generating capacity which allows the mine to maintain all production and capital activities; we also invested in an auto tap transformer in 2020 which protects part of the mine’s electrical equipment from voltage surges.

However, diesel is not a long-term solution: it is expensive, environmentally damaging and the large amount of diesel that is consumed is subject to supply constraints which make it potentially unreliable. In the middle of 2020 Caledonia resolved to construct a 12 MWac solar plant which is expected to provide all of Blanket’s minimum electricity demand during daylight hours; Blanket will continue to rely on the utility supply and generators to provide additional power during daylight hours and at night. It is estimated that the solar plant will provide approximately 27% of Blanket’s average daily electricity requirement. We will further evaluate an energy storage solution to augment the solar project and evaluate the viability of an increase to the generation capacity of the solar plant to provide Blanket’s peak demand during daylight hours.

The solar plant will be constructed by Voltalia, an international renewable energy specialist. The plant is expected to be operational in April 2022 and will be 100% owned by Caledonia which will then sell the power to Blanket.

### CENTRAL SHAFT

The Central Shaft project has been a major focus since it commenced in early 2015. Progress on the shaft was unfortunately affected by COVID-19: when lockdown commenced in March 2020, approximately

half of the supervisory contractor team returned to South Africa rather than be confined to Zimbabwe for an indeterminate period; restrictions on travel and transport meant that it was not possible to get the specialised equipment and skills to the mine as scheduled. Nevertheless, underground equipping of the shaft was completed towards the end of 2020, the production headgear was erected in early 2021 and the shaft was commissioned at the end of March 2021.

As a result of further COVID-19 restrictions on the number of people who could be lowered underground, we were not able to maintain the desired rate of progress on the development work from the existing operations towards Central Shaft. This development is now being completed from the Central Shaft side, which means that Central Shaft is currently hoisting waste, thereby freeing-up the No. 4 Shaft to concentrate on hoisting ore. Ore production from Central Shaft will gradually replace production from the No. 4 Shaft from late 2021 when the development has been completed.

The Central Shaft project has been a major engineering project and I am delighted that had it not been for the unfortunate delays arising from COVID-19, it would have been completed close to the targeted time. I am particularly pleased to note that the work was largely done by Blanket’s own personnel – this marks a significant transfer of highly specialised skills which may be used in future on new projects. Most importantly, the project was completed without any major safety incident which is particularly noteworthy given the inherent perils associated with shaft sinking. I would like to thank the entire team who were involved in this project for helping to make it happen safely and efficiently.

#### Dana Roets

Chief Operating Officer





# Operations at Blanket

The Central Shaft is a six-meter diameter, four-compartment shaft that will transport men, equipment and material to below 1,200m. The shaft has a hoisting capacity of 3,000 tonnes per day.

Total tonnes steel used to construct the Central Shaft

# 1,192

## MINING OPERATIONS

Blanket has eight ore shoots in the producing section of the mine. The majority of the mine's production is sourced at present from the AR Main and AR South ore bodies. AR Main and AR South represent Blanket's larger ore bodies and are up to 30 m wide and are ideally suited to the long-hole open stope mining method, while the remainder of the Blanket ore bodies are tabular and better suited to the underhand stoping method.

The successful commissioning of the Central Shaft in March 2021 enables Blanket to increase production to between 61,000 and 67,000 ounces in 2021 to 80,000 ounces from 2022. The Central Shaft project has been a six-year project costing approximately \$67 million. The capital investment project allows

Central Shaft access resources below

# 750m

increased mine life.

production from three additional levels below 22 Level (750 meters). A fourth level will be added via a decline construction giving access to even deeper resources.

Blanket utilises both long-hole open stoping (wider ore bodies) and underhand stoping (narrower ore bodies) mining methods. Blanket operates 4 declines ranging from 750 meters to 930 meters deep. Ore and waste is hauled by 11 Load, Haul, Dumpers and seven dump trucks to 22 level. Approximately 900 tonnes per day is mined from these declines per day. Trammig on 22 Level is done on a rail system by battery locomotives and the ore cars are self-tipped onto grizzlies above the ore bins which are located below 22 Level. Ore is gravity fed from ore bins into a crushing station conveyor which discharges the ore

# \$67m

invested in the Central Shaft since January 2015 – investment was funded from internal cash flows.

onto a vibrating grizzly feeder which discharges the oversize ore into a 30 x 20 Telsmith jaw crusher.

The underground crushing station ensures that all the run-of-mine ore is reduced to minus 150 mm in size as this provides for the optimisation and greater efficiency of the automated skip loading and hoisting operations. This allows mining and hoisting activity to continue without interruption.

The Lima Shaft is also used for hoisting smaller amounts of ore to surface.

The 18.4MVA standby diesel powered generating sets can operate the critical functions of the mine to achieve the planned production levels. The total Blanket power supply is to be obtained from a mix of utility, generator and solar supply once the solar plant is commissioned.



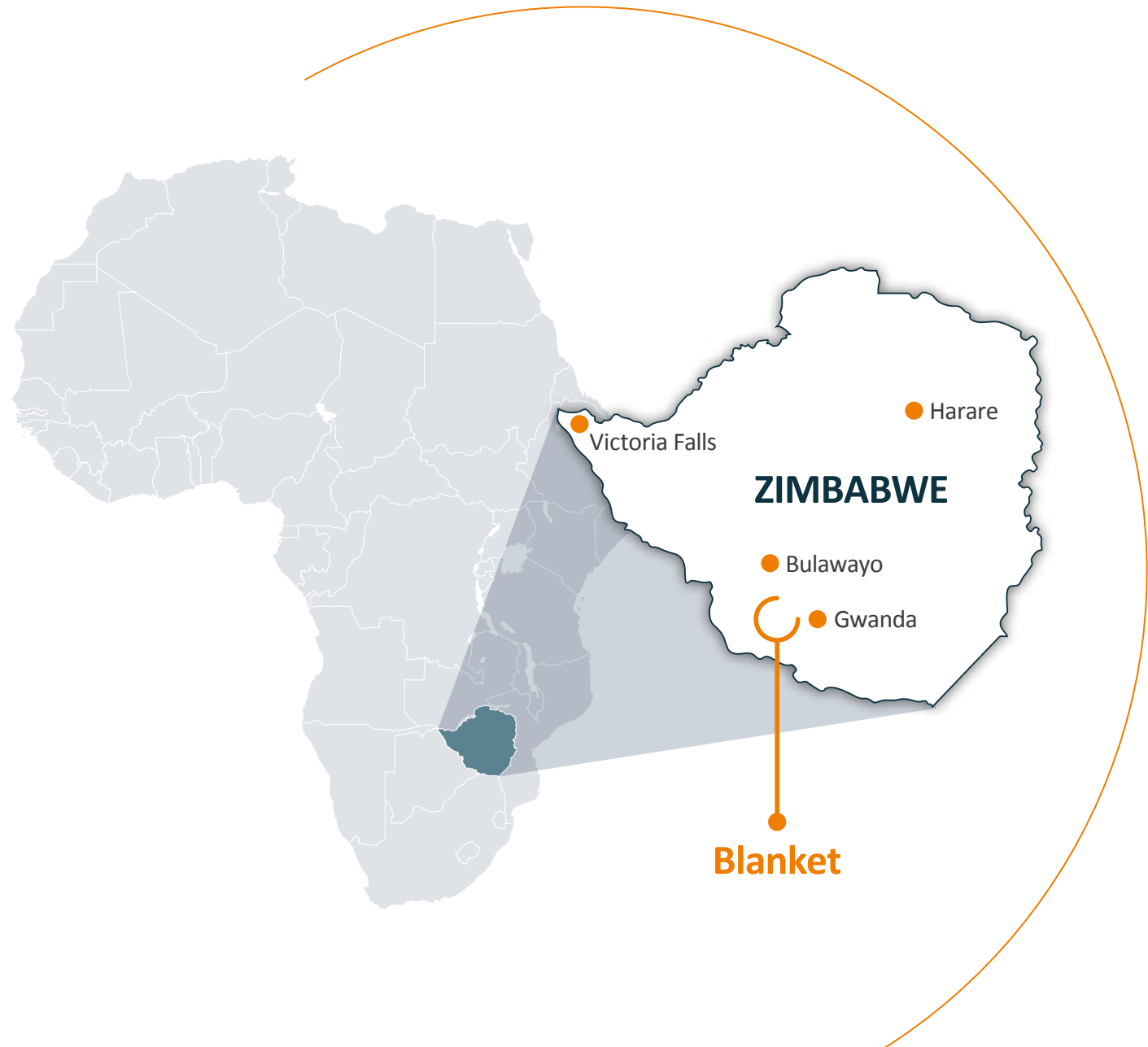
## Operations at Blanket continued

### REGIONAL GEOLOGY

Blanket is situated in the Gwanda Greenstone Belt, a typical Archaean greenstone-hosted gold deposit. The deposit is situated on the northwest limb of the Gwanda Greenstone Belt along strike from several other prominent gold deposits. Blanket is the largest producing mine in a belt which at one time had 268 operating mines.

The Gwanda Greenstone Belt extends 80 km in an east-west direction and consists predominantly of basaltic rocks (greenstones) with minor felsic and ultramafic units. The belt has been intensely sheared and intruded by granites resulting in complex deformation structures and vertically dipping strata. The shape of the gold ore bodies is controlled by these structures, resulting in their near vertical orientation.

Near vertical shear zones are developed throughout the belt and are the loci of most of the small mines that have been discovered in the area. Most of Blanket's prospects are of this type. Many of these now defunct small mines were shallow, had historically high recovered gold grades and closed towards the end of the 1960s when the gold price was low and the mining and metallurgical techniques available at that time were such that the mines became un-economic. The area has a long history of gold production and remains highly prospective and must therefore be regarded as an attractive exploration area as it has never been subjected to modern exploration techniques.



## Operations at Blanket continued

### PROPERTY GEOLOGY

Active mining at Blanket mine takes place over a 3 km strike that includes eight discrete ore shoots. The **geological model** below provides a north-south vertical projection of the various Blanket ore shoots. Mineralisation occurs in near vertical shoots aligned along an approximately north-south axis. The ore shoots vary in shape from the tabular to lensoidal quartz ore bodies to the massive to pipe-like disseminated sulphide ore bodies ("DSR").

Gold mineralisation occurred due to the reaction between rising hot fluids and the iron-rich minerals in the shear zones. The reaction involved the formation of sulphide minerals, predominantly arsenopyrite, as the sulphur in solution reacted with iron in the rocks. Gold, which was also transported by the fluids, became attached to the arsenopyrite to form the gold ore. These reaction zones are located within the more ductile tensional high strain areas of the shear zone.

Blanket is part of the group of mines that make up the North Western Mining Camp otherwise also called the Sabiwa group of mines. What is today referred to as Blanket is a cluster of mines extending from Jethro in the south, through Blanket itself, Feudal, AR South, AR Main, Sheet, Eroica and Lima in the north. These ore shoots occur in the Blanket shear zone, a low angle transgressive shear characterised by the presence of biotite relative to the massive amphibolites forming the country rocks.

A regional sub horizontal dolerite sill intruded the above sequence and is emplaced about 500 meters below surface. The sill does not cause a significant displacement and although it truncates all the ore shoots, the mineralised shoots continue undisturbed below the sill.

Since the rock units of the Gwanda Greenstone Belt are tilted on their side and strike north-south in the vicinity of Blanket Mine, the stratigraphic sequence is exposed from the oldest in the east to the youngest in the west. The Felsic unit consisting of quartzite and sericite-quartz schists forms the base of the stratigraphy. No gold deposits have been recorded in this unit. Overlying this unit to the west is the Ultramafic-Mafic unit interlayered with banded iron formations. Gold occurs in this unit at Vubachikwe mine, which is adjacent to Blanket, where the deposits are confined to steeply dipping folds in the banded iron formation layers. The Ultramafic-Mafic unit is in turn overlain to the west by the Mafic unit, a thick sequence of tholeiitic and pillow basalts. Within the Mafic unit a prominent shear zone up to 50 meters wide runs the length of the property and is the locus of all ore bodies on the Blanket property. The sequence is completed by an Andesitic unit which caps the stratigraphic sequence.

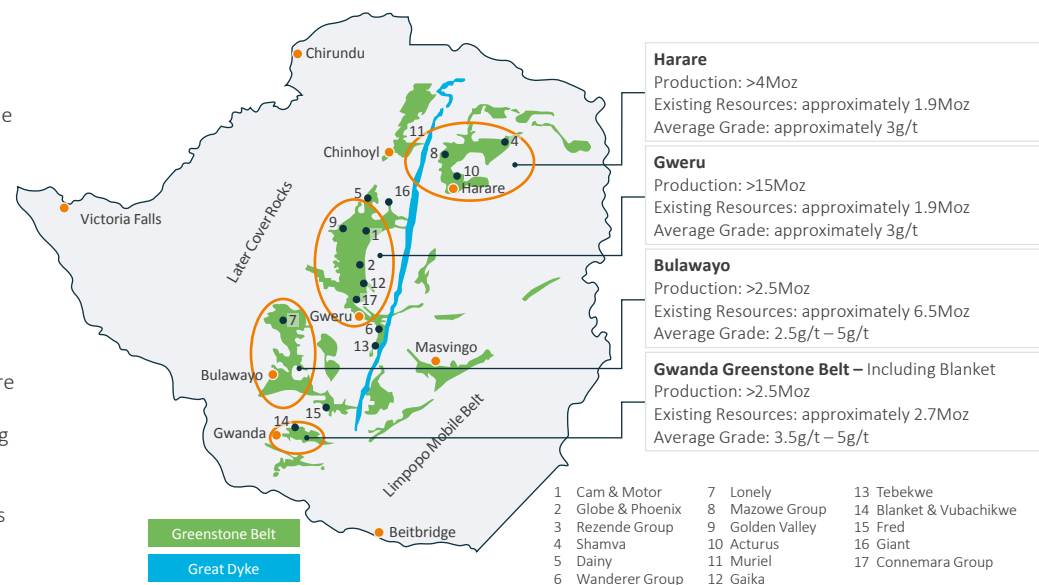
Two main types of mineralisation are recognised; disseminated sulphide replacement reefs and quartz-filled reefs and shears.

The first type is the disseminated sulphide replacement type which comprises the bulk of the ore shoots. Typically these zones have a silicified core with fine sprays of disseminated arsenopyrite hosting the best grades. Disseminated sulphide replacement ore bodies range up to 50m in width with a strike between 60m and 90m. Free-milling gold constitutes up to 50% of the total metal content with the remainder occluded within the arsenopyrite. Quartz-filled shear zones form the second type of mineralisation. Two quartz shears are mined at Blanket Mine, the Blanket Quartz Reef and the Eroica Reef. These reefs tend to have long strikes but are not uniformly mineralized although continuous pay shoots of over 100 m on strike are not uncommon.

The Quartz Reef at Blanket has a surface strike of some 500 m, but economic mineralisation is restricted to three 90 m shoots which were defined on surface by the early workers. Grade fluctuations are more extreme in the quartz reefs than in the disseminated type reefs but on average these shears have higher grades and are used as a "sweetener" of ore to the mill.

Total ounces produced at Blanket from 1904

# 1,454,430



## Operations at Blanket continued

### GEOLOGICAL MODEL

The lithological units of the Gwanda Greenstone Belt are tilted to near vertical and strike north-south in the vicinity of Blanket. The stratigraphic sequence is exposed from the oldest in the east to the youngest in the west.

A barren Felsic unit consisting of quartzite and sericite-quartz schists forms the base of the stratigraphy. This unit is overlain by an Ultramafic-Mafic unit inter-layered with banded iron formations. Gold mineralisation occurs in this unit and is the target of the adjacent Vubachikwe mine, where the gold deposits are confined to steeply dipping folded banded iron formation layers.

The Ultramafic-Mafic unit is in turn overlain to the west by the Mafic unit, a thick sequence of tholeiitic and pillow basalts. Within the Mafic unit a prominent shear zone, up to 50 meters wide, runs over a three kilometer strike across the length of the property and is the locus of all ore bodies exploited on Blanket. The stratigraphy is completed by an Andesitic unit which caps the sequence.

Two main types of mineralisation are recognised; disseminated sulphide replacement ("DSR") ore bodies and quartz-filled ore bodies and shears.

The DSR comprises the bulk of the near vertical ore shoots. Typically these zones have a silicified core with fine sprays of disseminated arsenopyrite hosting the best grades. DSR ore bodies range up to 50m in width with a strike between 60m and 90m. Free-milling gold constitutes up to 50% of the total metal content with the remainder occluded within the arsenopyrite.

Two of the quartz-filled shear zones of the second type of mineralisation are mined, namely the Blanket Quartz Reef ("BQR") and the Eroica Reef, which have long strike lengths but are not uniformly mineralised although continuous pay shoots of over 100 m on strike are seen. Gold grade fluctuations are more extreme in the quartz ore bodies than in the DSR type ore bodies but on average these quartz shears have higher grades and are used as a sweetener of ore to the mill.



Geological model

 <https://youtu.be/fIOFpXNPocc>



## Operations at Blanket continued

### ON-MINE EXPLORATION AND DEVELOPMENT

Caledonia's exploration activities are focused on the growth and development of Blanket and on the new exploration property in respect of which Caledonia acquired purchase option towards the end of 2020. In January 2020 Ms Janet Hobkirk joined Caledonia as Group Mineral Resource Manager. Ms Hobkirk will be responsible for driving Caledonia's exploration activities both at Blanket and any new properties. There was no deep exploration drilling in quarter four of 2020 as all the available drilling sites had been drilled out in accordance with the annual budget. Deep level exploration drilling will re-commence after the Central Shaft and the related development has been completed to provide access to new drilling positions. Exploration at Blanket's portfolio of satellite properties has been suspended since 2016 so that resources could be re-deployed at Blanket. Since then, the Company has evaluated other investment opportunities in Zimbabwe and has concluded that the satellite properties other than GG are unattractive due to their relatively small size, low grade, limited exploration potential, operating complexity and metallurgical incompatibility with the existing Blanket plant. Accordingly, in 2020 Blanket agreed to sell the Mascot, Eagle Vulture and Penzance properties for a cash consideration of \$500,000. The GG satellite property remains on care and maintenance. Limited surface drilling was undertaken so far to test for parallel zones to the south of the existing mineralised zone. Preliminary results are encouraging and drilling continues. The Lima pilot plant, which could be used to process any material from GG, has recently been upgraded to accommodate 200 tonnes per day.

### METALLURGICAL PROCESS

Ore skips automatically tip ore hoisted to surface into Shaft Bins on No. 4 Shaft headgear. Ore from underground operations is of size 100% passing 300mm. From the Shaft Bins, the ore is gravity fed with the aid of vibrating feeders onto No. 1 conveyor belt (CB1) which transfers the ore to a vibrating screen and two 14x24 Telsmith jaw crushers in an open circuit. CB1 is equipped with a magnet and metal detector for removing tramp metals and a weightometer for tonnage measurement. This crushing circuit reduces ore to 100% minus 65mm, which is carried by conveyors No. 2 and No. 3, and deposited onto a coarse ore stockpile with 900 tonnes capacity.

Ore from the coarse ore stockpile is discharged onto No. 4 conveyor belt by gravity via chutes, and then fed onto a 6 x 16' Osborn triple deck vibrating screen that is in closed circuit with two 38H- SBS Cone Crushers. The screen is fitted with a bottom deck panel of 14 x 28mm apertures, and its oversize material is directed into the 38H -SBS cone crushers set at closed side setting of 12mm when running concurrently. Crushers' products are recirculated to the screen via No. 5 and No. 6 conveyor belts. The screen undersize material of size 80% passing 13mm is conveyed by No. 7 conveyor belt off the crushing circuit and is passed on through a series of conveyor belts into a steel fabricated Fine Ore Bin (FOB) of capacity plus 2,000 tonnes for storage as mill feed.

Fine ore is drawn from the FOB and fed to four 1.8 x 3.6 m rod mills where it is milled down to approximately 45% passing 75 microns, before being passed through three 30" continuous Knelson Concentrators (KCs). Concentrates from the KCs are further processed on Gemini Shaking Table and in Intensive Leach Plant, to ultimately recover more than 50% of total gold production. Tailings from the KCs are pumped through a cluster of classification hydrocyclones, where coarse material in cyclones underflow gravitates as mill feed to two regrind ball mills. Discharge from the regrind mills at a grindsize of

80% passing 150 microns joins together with discharge from the rod mills as combined feed to the KCs. Overflow from the classification cyclones at a grindsize finer than 85% passing 75 microns undergoes trash removal at a Delkor linear screen and the cleaned fraction is then pumped to dewatering cluster cyclones.

Underflow from the dewatering cyclones, typically at 50% solids by weight is fed to Carbon In Leach ("CIL") section consisting of eight 572 m3 leach tanks equipped with 45 kW agitators, where leaching and simultaneous adsorption of dissolved gold onto activated carbon takes place. Elution and electro-winning of gold from loaded carbon is done on site. Gold is deposited onto steel wool cathodes, and the gold laden cathodes are acid-digested to give a gold rich sludge which is washed and filtered to obtain a cake. The cake is calcined to oxidise impurities prior to fluxing and smelting in an induction furnace to produce gold bullion of at least 85% purity. Gold bullion is sold as required by Zimbabwean law to Fidelity Printers and Refiners (Private) Limited (Fidelity) which undertakes final refining and sale.

Overall gold recovery has been increased from 85% at the time of acquisition by Caledonia to over 93% as a result of process improvement initiatives that include installation of more efficient CIL tank agitators and adoption of an automated liquid sodium cyanide facility which allows for multiple stage dosing and monitoring in the CIL. The oxygen plant has also been re-placed. The controlled sparging of oxygen into the CIL has resulted in cyanide savings, faster leaching kinetics and optimisation of CIL recoveries at higher tonnages.

Tailings from the CIL circuit are detoxified using ferrous sulphate to less than 30 ppm of free cyanide and are pumped to the Tailings Storage Facility (TSF) which is operated and maintained by a third party contractor - Blanket inspects and monitors the TSF on a daily basis.





# Operational performance

## GOLD PRODUCTION

Tonnes milled, average grades, recoveries and gold produced during the years 2017 to 2020 are shown in the table below.

Year	Tonnes Milled (t)	Gold Head (Feed) Grade (g/t Au)	Gold Recovery (%)	Gold Produced (oz)
2017	547,207	3.41	93.4	56,133
2018	560,913	3.26	92.9	54,511
2019	556,331	3.31	93.4	55,182
<b>2020</b>	<b>597,962</b>	<b>3.21</b>	<b>93.8</b>	<b>57,899</b>

Gold production for 2020 was 5% higher than 2019 and was at the top end of the guidance range and set a new record for annual production. The higher production for 2020 was due to increased tonnes milled and higher recovery the effect of which was offset somewhat by a lower grade.

## UNDERGROUND

The grade in 2020 was 3% lower than in 2019. The achieved grade for 2020 was as expected in terms of the LOMP. Tonnes milled in 2020 were 7.55% higher than 2019. The increased tonnage reflects increased management focus and changes to the incentivisation structure which rewards personnel equally on achieving targets for production, safety and development targets as pre-qualifiers to be eligible for bonuses.

## METALLURGICAL PLANT

Recoveries in 2020 were 93.8% compared to 93.4% in 2019. The general improvement in recoveries in 2020 was due to the commissioning of the new oxygen plant in October 2019 and the commissioning of an upgraded oxygen sparging system in the first quarter of 2020. The new oxygen plant has also reduced cyanide consumption by approximately 15% in the fourth quarter of 2020.





## Operational performance continued

### ELECTRICITY SUPPLY

Blanket experiences interruptions to its power supply from the local power utility and the supply from the utility is also subject to frequent surges and dips in voltage which, if not controlled, cause severe damage to Blanket's electrical equipment. To address this matter, in 2019 Blanket increased its diesel generating capacity to 18MW of installed capacity which is sufficient to maintain all operations and capital projects.

The generators ran for 8,456 hours in 2020 due to the continued instability of the power from the grid and load-shedding. The generators consumed 1,903,169 litres of diesel in 2020 which is a 41% increase from 2019 due to the need to run the generators to maintain the stability of the incoming grid power. In July 2020, Caledonia's Board resolved to implement a 12 MWac solar project which is expected to provide approximately 27% of Blanket's average daily electricity demand at a total project cost of approximately \$14 million as discussed on [page 38](#).

### WATER SUPPLY

Blanket uses water in the metallurgical process, some of which is pumped from the deeper levels of the mine but most of which is obtained from the "Blanket dam" (which, despite its name, is neither owned nor managed by Blanket) which also supplies water to the nearby town of Gwanda. Blanket is situated in a semi-arid region and rainfall typically only occurs in the period November to February. The 2020/21 rainy season has been excellent and water supply is adequate for the foreseeable future.





## Operational performance continued

### SAFETY, HEALTH AND ENVIRONMENT

The following safety statistics were recorded for in 2019 and 2020.

#### Blanket Safety Statistics

Classification	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Fatal	0	0	0	0	0	0	0	0
Lost time injury	3	1	1	1	1	0	0	2
Restricted work activity	1	5	2	1	3	4	7	3
<b>Total</b>	<b>4</b>	<b>6</b>	<b>3</b>	<b>2</b>	<b>4</b>	<b>4</b>	<b>7</b>	<b>5</b>
<b>Incidents</b>	<b>14</b>	<b>21</b>	<b>15</b>	<b>9</b>	<b>15</b>	<b>12</b>	<b>15</b>	<b>12</b>
<b>Near misses</b>	<b>7</b>	<b>7</b>	<b>7</b>	<b>3</b>	<b>7</b>	<b>8</b>	<b>2</b>	<b>5</b>
<b>Disability Injury Frequency Rate*</b>	<b>0.55</b>	<b>0.80</b>	<b>0.42</b>	<b>0.29</b>	<b>0.60</b>	<b>0.62</b>	<b>1.08</b>	<b>0.81</b>
<b>Total Injury Frequency Rate</b>	<b>1.23</b>	<b>1.48</b>	<b>0.83</b>	<b>0.29</b>	<b>1.34</b>	<b>1.23</b>	<b>1.23</b>	<b>0.97</b>
Man-hours worked (0,000s)	1,460	1,491	1,443	1,395	1,341	1,297	1,296	1,240

\* The calculation of the Disability Injury Frequency Rate ("DIFR") changed as from January 2020: previously it included only lost time injuries, but now includes lost time injuries and restricted work activity. The DIFR for periods before January 2020 have not been re-stated; if they had been re-stated the DIFR would be higher than shown in the table above and would show a similar trend as the Total Injury Frequency Rate.



In 2018 a training facility (called "Nyanzvi") was established at Blanket using dedicated facilities and specially trained facilitators. The entire Blanket workforce has participated in the programme which has resulted in the improvement in safety in the first two quarters of 2020. The Nyanzvi programme was suspended from late March 2020 due to the need to observe social distancing which contributed to the subsequent increase in reportable events. Management expects safety performance will improve when the Nyanzvi programme and other safety measures which were suspended due to COVID-19 restrictions are re-instated.

### SOCIAL INVESTMENT AND CONTRIBUTION TO THE ZIMBABWEAN ECONOMY

Blanket's investment in community and social projects which are not directly related to the operation of the mine or the welfare of Blanket's employees, the payments made to GCSOT in terms of its 10% ownership in Blanket, and payments of royalties, taxation and other non-taxation charges to the Zimbabwean government and its agencies are set out in the table below.

#### Payments to the Community and the Zimbabwean government (\$'000's)

Year	Community and Social Investment	Payments to GCSOT	Payments to the Zimbabwean government	Total
2013	2,147	2,000	15,354	19,501
2014	35	—	12,319	12,354
2015	50	—	7,376	12,354
2016	12	—	10,637	12,354
2017	5	—	11,988	11,993
2018	4	—	10,140	10,144
2019	47	—	10,357	10,404
<b>2020</b>	<b>1,689</b>	<b>184</b>	<b>10,562</b>	<b>12,435</b>

During 2020 \$0.9 million in gross dividends and \$16 million in salaries and bonuses were paid to Zimbabwean based employees as well as \$26 million paid towards Zimbabwean based suppliers. Blanket supports approximately 6,000 workers and their dependents with accommodation, water, electricity and sewerage at the Blanket mine village. Blanket pays medical aid on behalf of its employees, their spouses and up to three children and school fees for up to three children per employee.

There is no legal requirement in Zimbabwe for mining companies to conduct corporate and social responsibility ("CSR") activities, but there is an increasing expectation from stakeholders in Zimbabwe and from international investors that mining companies should do more to address social and environmental issues. For many years Blanket has engaged in ad hoc CSR activities and Blanket's CSR programme is set out on Caledonia's website. The main activities during 2020 were as follow:

- Women and Youth Empowerment: 26 tertiary-level students were accepted by Blanket for 12-month attachments;
- Education: Blanket provided labour and materials to two primary schools to repair and renovate buildings, construct a new toilet block, provide electrical connections to a solar electricity system and to assist with drilling boreholes for water; Blanket also provided desks for 51 children;
- Agriculture: in the Gwakwe communal area close to Blanket a group of 20 farmers grow vegetables on a plot of land. Blanket has, for more than a decade, supported this venture by providing water for irrigation and other assistance. Blanket re-equipped the irrigation system which had fallen into disrepair and a new diamond mesh wire fence was erected around the entire four-hectare plot. The farmers planted their first crop of peas in early March. Blanket provided the farmers with seed and fertilizer. Construction of a new packing shed resumed; and
- Health: donations of equipment and consumables to the community to assist in preventing the spread of COVID-19; construction of an isolation ward with kitchen and ablution facilities at the Phakama Clinic.

# Operational outlook

## THE LOMP

The life of mine plan (“LOMP”) includes measured, indicated and inferred mineral resources; however only diluted measured and indicated mineral resources in the LOMP were considered for conversion to mineral reserves. The mineral reserves declared for Blanket are derived from conversion of the diluted measured and indicated mineral resources through applying applicable modifying factors and mineral asset economic analysis. The LOMP reaches 80,000 ounces of gold production in 2022, with mineral reserves extracted over seven years, reducing from 2026 reflecting the depletion of existing measured and indicated mineral resources. From 2026 onward, The LOMP continues to target current inferred resources in the down-dip extensions of orebodies which are intended to be upgraded through exploration drilling, as platforms are established by development on the deeper levels below 750m, particularly between 26 and 30 Level.

[Go to page 79 for the mineral resources and reserves statements](#)

## CENTRAL SHAFT PROJECT TO INCREASE PRODUCTION AND REALISE THE LIFE OF MINE

### Outlook

Caledonia’s focus as at December 31, 2020 was the commissioning of the Central Shaft at Blanket that was completed in March 2021. Caledonia’s immediate strategic focus following the commissioning of the Central Shaft project is to:

- increase production to the target rate of 80,000 ounces of gold from 2022 onwards; and
- re-commence deep level drilling at Blanket with the objective of extending the life of mine beyond the current horizon of 2034.

### Cost guidance

On-mine cost guidance for 2021 is in the range of \$740 to \$815 per ounce; guidance for AISC is \$985 to \$1,080 per ounce.

## EXPLORATION PROPERTIES

Caledonia will continue to evaluate investment opportunities in the gold and precious metals sector within and outside Zimbabwe.

### Glen Hume

In December 2020 Caledonia announced it had entered into an option agreement which gives the Company the exclusive right to explore the Glen Hume property, an area of approximately 350 hectares with substantial evidence of gold mineralisation including historical mining activity, for a period of up to 15 months. Refer to note 18 of the Consolidated Financial Statements for detailed information regarding the agreement.

Caledonia has completed sufficient geophysical, metallurgical, geological drilling and sampling work to confirm the strike extension of the orebody. This work has established that the orebody at the property will not meet Caledonia’s strategic requirements in terms of size, grade and width and will not exercise the option over this property.

### Connemara North

In December 2020 Caledonia announced it had entered into an option agreement which gives the Company the exclusive right to explore the Connemara North property. Refer to note 18 of the Consolidated Financial Statements for more detail on the agreement.

Connemara North is the northern section of the currently closed Connemara mine which was previously owned by First Quantum Minerals (“First Quantum”); it was placed on care and maintenance in 2001 and subsequently disposed of in 2003. It has not been commercially mined since this time but before being placed on care and maintenance the Connemara mine produced approximately 20,000 ounces of gold per annum from an open pit heap leach operation. Previous public disclosures made by First Quantum in 2001 indicated that they had plans to expand the existing open pit operations at Connemara mine, when gold prices were approximately \$300/oz.

At this stage it is not possible for Caledonia to verify any of the work performed by previous owners or to ascertain what proportion of any purported resource lay within the boundaries of the Connemara North property over which Caledonia has secured the option. The property is approximately 30km from Glen Hume with good road access between them offering the potential of operating synergies should Caledonia decide to develop both areas.



## Operational outlook continued

### Why Solar?

The project is expected to reduce Caledonia's greenhouse gas ("GHG") emissions, improve reliability, enhance safety and provide an increase in shareholder returns.

- Solar will introduce a third electricity supply source (alongside ZESA and diesel), which will be under Caledonia's control and improve reliability of supply during daylight hours.
- A reliable supply will assist Blanket to achieve its production and capital project targets by reducing the incidence of outages.
- Excellent irradiance levels in Gwanda means solar power is technically feasible.
- Solar will reduce Caledonia's carbon footprint – important in the context of increased investor focus on ESG.
- Provides 25-year electricity solution that will supply the mine over the expected life of mine and beyond.
- After the initial capital cost, solar is very cheap which will help to reinforce Blanket's position as a low-cost operator.

#### Current project status

The status of the project is as follows:

- the 40-hectare site for the project has been cleared and fenced and is ready for civil work to commence;
- Caledonia has obtained the necessary licences and permits for the project;
- Contracts between Caledonia and the various other parties have been negotiated and on October 7, 2020 the Company appointed Voltalia, an international renewable energy provider, as contractor for the project; and
- Voltalia has placed orders for most of the items required to construct the solar plant. Construction is expected to be complete by April 2022.



## Operational outlook continued

### SOLAR PROJECT

In recent years, the actual generating capacity of ZESA, Zimbabwe's state-owned power utility, has been lower than the installed generating capacity due to low water levels at Kariba (due to a prolonged period of below average rainfall in the Zambezi catchment area) and lack of maintenance at power stations. The shortfall is partly filled using power imported from South Africa and Mozambique. Following the above-average rains in the 2020/2021 rainy season, water levels in the Kariba dam have increased and by April 2021 the Kariba hydro station was operating at over 80% of capacity. Output from the coal-fired power stations reduced to approximately 20% of installed generating capacity.

Despite the use of imported power, the availability of electricity in Zimbabwe has been subject to "load-shedding" (i.e. curtailments to supply or requests to reduce consumption). In addition to load-shedding, the grid power in Zimbabwe is subject to fluctuations in voltage which, if unregulated, damages or trips electrical equipment.

Load-shedding and outages arising from unstable supply has economic and safety implications for an underground mine such as Blanket and we have therefore installed 18 MVA of standby diesel generators to enable un-interrupted mining and processing operations, as well as work on capital projects, to continue during any disruptions to the utility supply. However, we recognise that this is not a long-term solution: diesel-generated electricity is expensive and subject to supply of diesel that can at times be unavailable. Further, running diesel generators are environmentally unsustainable.

Power interruptions and unstable utility power supply have already resulted in lost production, delays to the Central Shaft project and increased operating and capital costs.

After careful consideration, in July 2020 Caledonia's Board approved the construction of a 12MWac solar plant at a total expected project cost of approximately \$14 million (including construction costs and other project planning, structuring, funding and administration costs).

In 2020, Caledonia raised \$13 million to fund the solar project (before commission and expenses) through the sale of 597,963 shares at an average price of \$21.74 per share.

The 12 MWac solar project serves as a power insurance policy which mitigates the risk of a further deterioration in Blanket's electricity supply which could undermine our ability to continue to operate as planned.

→ The solar project does not allow Blanket to operate entirely off-grid: Blanket will continue to use grid and generator power during high demand periods in daylight hours and at night. At the estimated increased electricity demand after Central Shaft has been commissioned the proposed solar project should provide 27% of Blanket's average daily power, ZESA is expected to reduce to 64% and 9% will be provided by the generators.

ZESA cannot meet all of Blanket's current electricity demand which means that Blanket uses its generators:

→ Blanket's annual power demand is currently approximately 82 million KWh, of which ZESA currently supplies 71 million KWh (87%) and Blanket generates approximately 11 million KWh using the generators (13%)

→ Blanket's power demand is expected to increase to approximately 110 million KWh after the commissioning of the Central Shaft.

This reflects current production and development plans; actual demand may be higher if, for example, exploration above 750m areas is successful, in which case the No. 4 Shaft would continue to run for longer than expected.

### Solar as a strategic solution

Solar will introduce a third electricity supply source (alongside the power utility and diesel generators), which will be under Caledonia's control and will improve reliability of supply during daylight hours. A reliable supply will assist Blanket to achieve its production and capital project targets by reducing the incidence of outages and enhance safety at the mine. Excellent irradiance levels in Gwanda means solar power is technically feasible and provides a cheap source of electricity.

Zimbabwe is an excellent solar resource that is ideal for Solar PV construction that will provide high yields. Higher yields result in lower \$/kWh pricing, while lower \$/kWh pricing has a direct impact on project IRR.

Caledonia will be sole owner of the project via a 100%-owned subsidiary Caledonia Mining Services (Private) Limited ("CMS") and will sell power to Blanket.







# Financial review

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# From the CFO's Desk



“Caledonia has demonstrated its resolve to increase dividends by implementing six increases in the quarterly dividend between October 2019 and July 2021.”

**Mark Learmonth**  
Chief Financial Officer

Dividend paid per share increase from January 2020 to July 2021

**73%**

2019 – 2020 revenue increase

**32%**

This IR includes financial information for the year to December 31, 2020 which has already been published on our website and has been filed on [www.sedar.com](http://www.sedar.com) and [www.sec.gov](http://www.sec.gov) in terms of our obligations as a Canadian reporting issuer and as an SEC reporting issuer. No new or additional financial information is included in this IR. The only new disclosures in this report relate to non-financial and non-price sensitive aspects.

2019 to 2020 increase in net cash generated from operating activities

**\$14m**

2019 – 2020 adjusted EPS increase

**41%**

## HIGHLIGHTS OF 2020 FINANCIAL RESULTS

- Gross revenues of \$100 million (2019: \$75.8 million).
- Gross profit of \$46.7 million (2019: \$31.1 million) at a gross margin of 47 per cent (2019: 41 per cent).
- EBITDA of \$43.3 million (2019: \$29.9 million) at a margin of 43 per cent (2019: 39 per cent).
- On-mine cost of \$744 per ounce (2019: \$651 per ounce).
- Normalised all-in sustaining cost<sup>1</sup> (i.e. excluding the effect of the export credit incentive and its successor scheme) of \$946 per ounce (2019: \$820 per ounce).
- Adjusted EPS of 204 cents (2019: 145 cents).
- Net cash from operating activities of \$30.9 million (2019: \$18.1 million).
- Net cash and cash equivalents of \$19.1 million (2019: \$8.9 million). Cash position increased due to a \$13 million (gross) equity issue in the third quarter of 2020.
- Total dividend paid of 33.5 cents per share in 2020, a 21.8 per cent increase from 2019.

## From the CFO's desk continued

### OTHER NOTABLE EVENTS IN 2020

#### Voluntary delisting from the Toronto Stock Exchange

In June 2020 the Company applied for a voluntary de-listing from the TSX which was effective at the close of trading on June 19, 2020. Since the Company's shares were listed on the NYSE American in 2017, trading on that market has become increasingly dominant, and it now provides a more liquid market for Caledonia's shares to trade on. Accordingly, the Company believed the financial and administrative costs associated with maintaining its listing on the TSX were no longer justified.

Following delisting, the Company's shares continue to be listed on the NYSE American. Depositary interests representing shares continue to trade on AIM.

In the six months following the de-listing, the average daily number of shares in the Company that were traded on the NYSE American increased by 175% compared to the six months prior to de-listing. The improved liquidity has helped to address one of the concerns that was frequently raised by prospective shareholders.

#### Equity raise to fund a solar project

In September 2020, the Company announced that it had raised US\$13m through the issue of 597,963 shares. The proceeds of the equity issue are being used to fund a solar plant which will exclusively supply Blanket.

#### Purchase of options over exploration projects

In December 2020 the Company announced that it had acquired options over two properties in the Zimbabwe midlands for initial considerations of \$2.5 million and \$300,000 which give Caledonia the exclusive right to conduct exploration at each property for periods of 15 and 18 months respectively. If exploration is successful, Caledonia has the right to exercise the options to acquire the mining claims for further considerations of \$2.5 million and \$5 million (payable in cash or shares at the discretion of the vendor) respectively and a 1% net smelter royalty on any gold produced from the properties. Caledonia decided not to exercise the option over the Glen Hume property. Caledonia still continue to explore the Connemara North property.

#### Disposal of non-core assets

Having evaluated other investment opportunities in Zimbabwe and elsewhere, the Company has concluded that the satellite properties other than GG are unattractive due to their relatively small size, low grade, limited exploration potential, operating complexity and metallurgical incompatibility with the existing Blanket plant. Accordingly, in 2020 Blanket agreed to sell the Mascot, Eagle Vulture and Penzance properties for a cash consideration of \$500,000.

#### Increased dividend

In 2020, the Company increased its quarterly dividend by 45% from 6.875 cents per share to 10 cents per share; the total dividends per share paid in 2020 were 33.5 cents per share – an increase of 21.8% from 2019. Further increases to quarterly dividend occurred in 2021 each quarter and at the date of this report stands at 13 cents per share.

### SUBSEQUENT EVENTS

On May 13, 2021 Caledonia published its results for the quarter ended March 31, 2021. Profit and cash generation in the first quarter of 2021 was lower than in the first quarter of 2020 due to the combined effects of lower production and increased working capital. Production in the first quarter of 2021 was adversely affected by a fall of ground in a high-grade area and exceptionally heavy rain which resulted in lost production days; both of these issues have been addressed. Working capital increased in the first quarter because of delayed payments for gold deliveries; this matter was resolved in April 2021.

### OUTLOOK

The commissioning of the Central Shaft in March 2021 is expected to result in higher production, lower unit costs and, eventually, reduced capex. It is anticipated that each of these factors will increase Blanket's cash generation.

The Company does not have a formalised dividend policy in terms of defined payout-ratio. However, Caledonia has demonstrated its resolve to increase dividends by implementing six increases in the quarterly dividend between October 2019 and July 2021.

We intend to consider further increases in the dividend, whilst at the same time retaining the financial capacity to explore and evaluate new investment opportunities.

**Mark Learmonth**  
Chief Financial Officer



# Financial performance

 [www.caledoniamining.com/investors/reports-presentations/](http://www.caledoniamining.com/investors/reports-presentations/)

The table below sets out the consolidated profit and loss for the years ended December 31, 2020, 2019 and 2018 prepared under IFRS.

## Consolidated Statement of Profit of Loss and Other Comprehensive Income

(\$'000's) unless indicated otherwise)

For the years ended December 31	2020	2019	2018
Revenue	100,002	75,826	68,399
Less: Royalty	(5,007)	(3,854)	(3,426)
Production costs	(43,711)	(36,400)	(39,315)
Depreciation	(4,628)	(4,434)	(4,071)
<b>Gross profit</b>	<b>46,656</b>	<b>31,138</b>	<b>21,587</b>
Other income	4,765	2,274	7,101
Other expenses	(5,315)	(666)	(336)
Administrative expenses	(7,997)	(5,637)	(6,465)
Cash-settled share-based expense	(1,413)	(689)	(315)
Equity-settled share-based expense	–	–	(14)
Net foreign exchange gain	4,305	29,661	223
Profit on sale of subsidiary	–	5,409	–
Fair value losses on derivative assets	(266)	(601)	(360)
<b>Operating profit</b>	<b>40,735</b>	<b>60,889</b>	<b>21,421</b>
Finance income	62	146	53
Finance cost	(367)	(344)	(273)
<b>Profit before tax</b>	<b>40,430</b>	<b>60,691</b>	<b>21,201</b>
Tax expense	(15,173)	(10,290)	(7,445)
<b>Profit for the year</b>	<b>25,257</b>	<b>50,401</b>	<b>13,756</b>
<b>Other comprehensive income</b>			
Items that are or may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	(173)	49	(676)
Reclassification of accumulated exchange differences on the sale of subsidiary	–	(2,109)	–
<b>Total comprehensive income for the year</b>	<b>25,084</b>	<b>48,341</b>	<b>13,080</b>
<b>Profit attributable to:</b>			
Owners of the Company	20,780	42,018	10,766
Non-controlling interests	4,477	8,383	2,990
<b>Profit for the year</b>	<b>25,257</b>	<b>50,401</b>	<b>13,756</b>
<b>Earnings per share</b>			
Basic earnings per share (\$)	1.73	3.82	0.99
Diluted earnings per share (\$)	1.73	3.81	0.99
Adjusted earnings per share (\$)*	2.04	1.45	1.32

\* Adjusted earnings per share is a non IFRS measure. Refer to the calculation included in the MD&A on Caledonia's website.

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## Financial performance continued

Revenue in 2020 was 32% higher than in 2019 due to a 27% increase in the average realised gold price and a 4% increase in the quantity of gold sold. Notwithstanding the increase in revenue for 2020, profit attributable to shareholders was 51% lower in 2020 compared to 2019. This was due to a combination of substantial foreign exchange gains and a significant profit arising on the disposal of a subsidiary in 2019.

The royalty rate payable to the Zimbabwean government was unchanged at 5% in 2020. Due to the higher realised gold price in 2020, the royalty expense increased proportionately from 2019. Production costs increased by 20% in 2020 compared to 2019.

Production costs in 2020 include certain costs that are beyond the control of management i.e. the incremental operating costs arising from COVID-19, increased use of diesel generators due to the instability of the grid power supply, the share-based payment expense (which is influenced by movement in the Company's share price) and pre-feasibility expenses. Excluding these costs, production costs increased by 16% in 2020 compared to 2019. The increase in costs, after adjustment for non-controlled items, was mainly due to the increased cost of maintaining the trackless underground equipment.

Other income for 2020 mainly comprises the proceeds of the export credit incentive.

Other expenses are detailed in note 13 to the Consolidated Financial Statements and include donations of \$1.32 million in 2020 to the community to assist its efforts to address the COVID-19 pandemic and an expense of \$2.93 million arising on the impairment of the Mascot, Eagle Vulture and Penzance exploration assets.

Administrative expenses include the costs of Caledonia's offices and personnel in Johannesburg, the UK, Jersey and Harare which provide the following functions: technical services, finance, procurement, investor relations, corporate development, legal and company secretarial services. Administrative expenses were 42% higher in 2020 compared to 2019. The increase in 2020 expenses was due to increased professional and advisory fees, higher wages and salaries and an increased cost of insurance cover for directors and officers. Increases in these areas were offset somewhat by lower travel and investor relations costs due to restrictions on travel resulting from the COVID-19 pandemic.

Professional and advisory fees were \$0.46 million higher in 2020 compared to 2019. The increase was due to, inter alia:

- Costs of evaluating potential investment opportunities, which culminated in the conclusion of option agreements over two exploration properties;
- Costs associated with the Company's voluntary de-listing from the TSX. Since the de-listing the liquidity of the Company's shares on the NYSE American has increased substantially compared to the combined liquidity on NYSE American and TSX before the de-listing;
- Costs of preparing a Form F-3 Registration Statement which was subsequently used to raise \$13m (before fees and expenses); and
- Costs relating to the proposed solar project prior to the Board decision to proceed.

Wages and salaries increased by \$1.04 million in 2020. The increase was due to an increase in personnel in the areas of geology, rock mechanics and investor relations, and incentive payments to senior management to reflect the improved financial and operating performance in 2020 and the near-completion of the Central Shaft.

The cost of directors and officers insurance cover increased from \$0.09 million in 2019 to \$1.03 million. This considerable increase was explained to the Company as being due to several factors including a hardening of market conditions for directors and officers insurance, the exiting of the market by many insurance companies who are unwilling to write new lines of directors and officers insurance, anxieties due to the anticipated negative effects of the COVID-19 pandemic and a changing appetite of insurance companies towards taking on mining risks and in particular mining companies whose shares are traded in the United States (where derivative actions are more common).

Net foreign exchange movements relate to gains and losses arising on monetary assets and liabilities that are held in currencies other than the US Dollar. Foreign exchange movements principally arose due to the further devaluation of the Zimbabwe currency against the US Dollar. The net gain in 2020 was smaller than in 2019 because financial liabilities (the devaluation of which had contributed the most to previous foreign exchange gains) are now devalued to such an extent that further devaluation has a reduced financial effect. The largest components of the net gain in 2020 were unrealised gains on borrowings denominated in Zimbabwe currency and the deferred and income tax liability, offset by a realised loss on Zimbabwe currency denominated cash and VAT receivables.

The cash-settled share-based payment expense reflects an accrual for a payment which is expected to arise from the long-term incentive plan ("LTIP") awards under the Company's 2015 Omnibus Equity Incentive Compensation Plan (the "Plan") to certain executives, heads of department and staff in the form of Restricted Share Units ("RSUs") and Performance Units ("PUs"). LTIP awards may be settled in cash or, subject to conditions, shares or a combination of both at the request of the award holder. The LTIP expense reflects a combination of factors, including the change in the Company's share price: the increased charge for 2020 is mainly due to the increase in the price of the Company's shares over the course of 2020. Further information on the calculation of the charge is set out in note 30 to the Consolidated Financial Statements.

The fair value loss on derivative assets in 2020 was in respect of a gold ETF which was purchased in April 2020 by Caledonia Mining South Africa Proprietary Limited ("CMSA") to protect against devaluation of the South African Rand against the US Dollar. South African foreign exchange restrictions do not allow CMSA to hold US Dollars in South Africa and administrative delays at commercial banks and the South African Reserve Bank impede CMSA's ability to move cash around the group as rapidly as operational considerations require. Accordingly, to protect against devaluation of the South African Rand and to retain CMSA's operational flexibility, the surplus Rands were used to purchase a gold ETF. The fair value loss on derivative assets in 2020 includes a charge for a hedging arrangement which Caledonia put in place in January 2020 over 4,600 ounces of gold per month for the period from January 1, 2020 to June 30, 2020. The hedge comprised the purchase of out-of-the money put options which guaranteed that Caledonia received a minimum price of \$1,400 per ounce in respect of the ounces hedged but retained full exposure to the gold price. The hedge was not for speculative purposes but was intended to protect Caledonia's cashflows during a period when capital expenditure on the Central Shaft was expected to be high. The cash cost of the hedge was a once-off amount of \$0.38 million; however, the accounting charge recognised the mark-to-market loss arising on the instruments.

## Financial performance continued

The tax expense comprises the following:

### Analysis of consolidated tax expense/(credit) for 2020 (\$'000's)

	Zimbabwe	South Africa	UK	Total
Income tax	8,153	762	–	8,915
Withholding tax				
Management fee	–	122	–	122
Deemed dividend	209	–	–	209
Dividend from Zimbabwe to UK subsidiary	–	–	110	110
CMSA dividend to UK subsidiary	–	–	136	136
Deferred tax	5,705	(24)	–	5,681
	14,067	860	246	15,173

The overall effective taxation rate in 2020 was 37%, the majority of which was made up of income tax and deferred tax in Zimbabwe.

Income tax in Zimbabwe is calculated at 25.75% of taxable profits which is IFRS profit before tax (in local currency terms) after adjustments which include the deduction of the Zimbabwean government royalty, the add-back of depreciation and the deduction of capital expenditure in 2020. The effective Zimbabwe income tax rate for 2020 as a percentage of IFRS gross profit (which approximates to the on-mine profit before tax) was 16% which is lower than the headline rate of income tax due to the combined effect of the adjustments to IFRS profit set out above.

Deferred tax reflects the difference between the accounting and tax treatments of capital investment: 100% of capital expenditure is deductible in the year in which it is incurred for the purposes of calculating Zimbabwean income tax; whereas for accounting purposes depreciation commences when the project enters production. The deferred tax calculation is also affected by unrealised foreign exchange movements, which have been substantial in certain quarters and the requirement that tax computations are calculated using accounts denominated in local currency. The combined effective tax rate of Zimbabwean income tax and Zimbabwean deferred tax for 2020 as a percentage of IFRS gross profit (which approximates to the on-mine profit before tax) was 27% which approximates to the headline tax rate of 25.75%.

South African income tax arises on intercompany profits arising at CMSA.

Withholding tax is Zimbabwean withholding tax on the management fees paid to CMSA and on dividend payments from Zimbabwe to Caledonia's UK subsidiary; South African withholding tax arose on dividends paid from CMSA to Caledonia's UK subsidiary. Following the acquisition by the Company of a further 15% interest in Blanket in January 2020, the effective non-controlling interest share in profit or loss reduced from 16.2% to 13.2% of Blanket's net profit.

Dividends comprise dividends paid by the Company and dividends paid by Blanket to its minority shareholders after deduction of amounts to repay the various advances and loans. The Company paid higher quarterly dividends during 2020 totalling 33.5 cents per share – a 21.8% increase on the total dividends per share paid in 2019. The increased number of shares in issue following the equity issue in the third quarter of 2020 resulted in an increase in Caledonia's dividend distributions.

The table below sets out the consolidated statements of cash flows years ended December 31, 2020, 2019 and 2018 prepared under IFRS.

### Consolidated statements of cash flows (\$'000's) unless indicated otherwise

For the years ended December 31	2020	2019*	2018*
<b>Cash generated from operations</b>	<b>37,967</b>	23,885	21,119
Interest received	56	146	53
Interest paid	(405)	(454)	(161)
Tax paid	(6,656)	(5,517)	(3,344)
<b>Net cash from operating activities</b>	<b>30,962</b>	18,060	17,667
<b>Cash flows used in investing activities</b>			
Acquisition of property, plant and equipment	(25,081)	(19,852)	(20,192)
Acquisition of exploration and evaluation assets	(2,759)	(172)	–
Purchase of derivative financial asset	(1,058)	–	–
Proceeds from disposal of subsidiary	900	1,000	–
<b>Net cash used in investing activities</b>	<b>(27,998)</b>	(19,024)	(20,192)
<b>Cash flows from financing activities</b>			
Dividends paid	(4,542)	(3,395)	(3,497)
Term loan proceeds	–	2,340	6,000
Term loan transaction costs	–	(46)	(60)
Term loan repayments	(574)	–	(1,500)
Payment of lease liabilities	(118)	(124)	–
Shares issued - equity raise (net of transaction cost)	12,538	–	–
Share options exercised	30	–	–
<b>Net cash from/ (used in) financing activities</b>	<b>7,334</b>	(1,225)	943
<b>Net increase/ (decrease) in cash and cash equivalents</b>	<b>10,298</b>	(2,189)	(1,582)
Effect of exchange rate fluctuations on cash held	(99)	(105)	13
<b>Net cash and cash equivalents at the beginning of the year</b>	<b>8,893</b>	11,187	12,756
<b>Net cash and cash equivalents at the end of the year</b>	<b>19,092</b>	8,893	11,187

\* The group voluntarily changed its disclosure policy for exploration and evaluation assets to be disclosed separately as Acquisition of exploration and evaluation assets rather than as part of Acquisition of property, plant and equipment. The new disclosure policy was adopted from December 10, 2020 and has been applied retrospectively.



## Financial performance continued

Cash generated by operations before working capital changes in 2020 was \$42.4 million, 51% higher than \$28.1 million in 2019. The increase was mainly due to the higher gross profit which is due mainly to the higher gold price offset somewhat by increased production costs. Working capital increased in 2020 mainly due to an increase in inventories as discussed below in the review of the summarised consolidated statements of financial position.

Investment in property, plant and equipment remained high due to the continued investment in the Central Shaft project and in sustaining capital investment.

The acquisition of exploration and evaluation assets relates to the option fees payable in respect of the Glen Hume and Connemara North exploration properties.

The purchase of the derivative financial assets relates to the purchase of the gold ETF by CMSA as discussed above.

Proceeds from the disposal of a subsidiary relates to the consideration received in respect of the sale of Eersteling Gold Mining Company Limited ("Eersteling").

Dividends paid to Caledonia shareholders are on an increased number of issued shares compared to 2019. The Caledonia shares in issue increased in 2020 due to the issue of shares to Fremiro Investments (Private) Limited ("Fremiro") and the equity raised for the solar project. The NCI dividends are paid by Blanket to its minority shareholder holders.

The effect of exchange rate fluctuations on cash held predominantly reflects gains or losses on cash balances held in currencies other than the US Dollar. The effect on cash balances forms part of an overall foreign exchange gain or loss arising on all affected financial assets and liabilities.

The table below sets out the consolidated statements of Caledonia's financial position at December 31, 2020, December 31, 2019 and January 1, 2019 prepared under IFRS.



### Summarised Consolidated statements of financial position (\$'000's) unless indicated otherwise

As at December 31	2020	2019*	January 1 2019*
<b>Total non-current assets</b>	<b>133,334</b>	113,714	97,525
Inventories	16,798	11,092	9,427
Prepayments	1,974	2,350	866
Trade and other receivables	4,962	6,912	6,392
Income tax receivable	76	—	—
Derivative financial assets	1,184	102	—
Cash and cash equivalents	19,092	9,383	11,187
Assets held for sale	500	—	296
<b>Total assets</b>	<b>177,920</b>	143,553	125,693
<b>Total non-current liabilities</b>	<b>9,913</b>	8,957	34,687
Loans and borrowings - short term portion	408	529	—
Cash-settled share-based payment - short term portion	336	—	—
Lease liabilities - short term portion	61	349	—
Income taxes payable	495	163	1,538
Trade and other payables	8,664	8,348	10,051
Overdraft	—	490	—
Liabilities associated with assets held for sale	—	—	609
<b>Total liabilities</b>	<b>19,877</b>	18,836	46,885
<b>Total equity</b>	<b>158,043</b>	124,717	78,808
<b>Total equity and liabilities</b>	<b>177,920</b>	143,553	125,693

\* The group voluntarily changed its disclosure policy for exploration and evaluation assets to be disclosed separately as Exploration and evaluation assets rather than as part of Property, plant and equipment; similarly lease liabilities were classified separately from trade and other payables. The new disclosure policies were adopted from December, 2020 and have been applied retrospectively.

Non-current assets increased due to the continued investment at the Central Shaft and investment to sustain existing operations.

Inventories increased due to the increased holdings of consumables in anticipation of any further disruption to Blanket's supply chain due to the COVID-19 pandemic and to prepare Blanket for the usual shut-down in the supply chain from South Africa towards the end of each year. Items which contributed to the increased level of inventories include: spare parts for the trackless mining machinery; items of PPE and chemicals related to COVID-19; spare parts and consumables for the small scale metallurgical plant at Lima that has been re-commissioned to allow for increased production; and spare parts for new items of capital equipment.

Inventories include 1,585 ounces of gold work-in-progress (December 2019: 840 ounces). For logistical reasons, this gold was delivered and sold to Fidelity, a subsidiary of the Reserve Bank of Zimbabwe ("RBZ"), early in January 2021.

## Financial performance continued

Prepayments represent deposits and advance payments for goods and services. Prepayments at 31 December 2020 and 2019 were higher than at 31 December 2018 because of the requirement to pay in advance for consumables and other items due to the tightening of supplier credit due to the economic situation in Zimbabwe.

Trade and other receivables include \$1.31 million (December 31, 2019: \$2.99 million) due from Fidelity in respect of gold deliveries prior to the close of business on December 31, 2020 and \$2.88 million (December 31, 2019: \$1.77 million) due from the Zimbabwean government in respect of VAT refunds. The amounts due from Fidelity were received in full after the end of 2020. The amount due in respect of VAT refunds mainly comprises RTGS\$-denominated VAT refunds which has increased because of the increased level of purchasing activity at the end of 2020 in respect of which VAT refunds are due. Trade receivables also include \$1.1 million (December 31, 2019: \$1.99 million) in respect of deferred consideration due on the disposal of Eersteling, the sale of which was concluded in 2019 and \$0.27 million (December 31, 2019: \$0.17 million) in respect of deposits for stores and equipment.

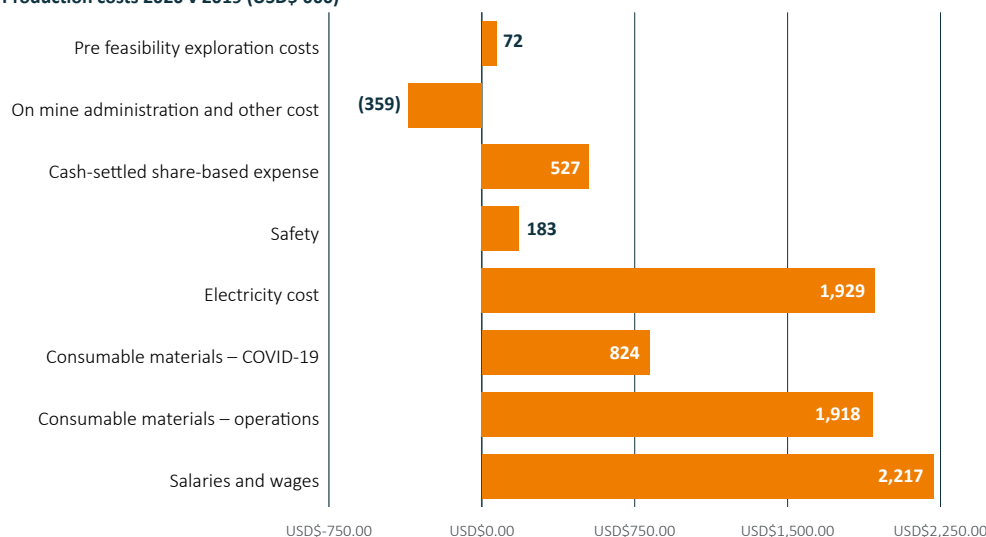
### PRODUCTION COSTS

#### Production cost (IFRS)

IFRS production cost comprises, inter alia, salaries and wages, consumable materials (operations and COVID-19), electricity, safety, cash-settled share-based payment expense, pre-feasibility exploration cost and on-mine administration costs.

The 20% increase in production costs from 2019 to 2020 is broken down as follows:

#### Production costs 2020 v 2019 (USD\$'000)



Until mid-August 2019 Blanket paid for electricity in local currency and the local currency tariff was not increased. Thus, as the local currency devalued against the US Dollar, the US Dollar cost of electricity declined from approximately 13 US cents per kWh to less than 2 US cents per kWh in 2019 as the local currency devalued. From August 2019, Blanket has paid for electricity in US Dollars at a rate of approximately 10 US cents per kWh. The increase in electricity cost is also due to the increased use of diesel generators due to the instability of the grid power supply. Blanket had to install additional autotap transformers to alleviate the effect of the voltage fluctuations but still encounter many power trips due to the power surges. These power trips required increased use of our generators.

Labour costs in 2020 were higher than in 2019 due to production bonuses being triggered because production achieved plan. Blanket was required to modify its operating procedures at Blanket to prevent the transmission of the virus amongst the workforce and their families who live on the mine village so that it could continue to operate under an exemption granted by the Zimbabwean government. These modifications included, inter alia, reducing the number of employees who could go underground so that we could achieve the required social distancing. However, it was necessary to pay the workers who were selected to work a premium rate compared to those employees who were not asked to report for duty.

Consumable costs relating to COVID-19 amounted to \$0.82 million during 2020. These COVID-19 related expenditures consist of the cost of PPE items including masks and sanitisers and other equipment such as thermometers.

#### Cost per ounce

A narrow focus on the direct costs of production (mainly labour, electricity and consumables) does not fully reflect the total cost of gold production. Accordingly, cost per ounce data for 2020 and 2019 have been prepared in accordance with the Guidance Note issued by the World Gold Council on June 23, 2013 and is set out in the table below on the following bases:

- On-mine cost per ounce**, which shows the on-mine costs of producing an ounce of gold and includes direct labour, electricity, consumables and other costs that are incurred at the mine including insurance, security and on-mine administration;
- All-in sustaining cost per ounce ("AISC")**, which shows the on-mine cost per ounce plus royalty paid, additional costs incurred outside the mine (i.e. at offices in Harare, Johannesburg and Jersey), costs associated with maintaining the operating infrastructure and resource base that are required to maintain production at the current levels (sustaining capital investment), the share-based expense (or credit) arising from the LTIP awards less silver by-product revenue. The AISC also includes as a credit (i.e. as a deduction from costs) the export credit incentives (or its predecessor); and
- All-in cost per ounce**, which shows the AISC per ounce plus the costs associated with activities that are undertaken with a view to increasing production (expansion capital investment).

## Financial performance continued

### Cost per Ounce of Gold Sold (US\$/ounce)

12 Months to December 31	2020	2019
On-mine cost	744	651
AISC	946	820
All-in cost per ounce	1,418	1,191

Per-ounce costs are calculated based on gold ounces sold and not produced, so that an accurate value can be ascribed to the royalty and the Export Credit Incentive ("ECI").

#### On-mine costs

On-mine cost comprises labour, electricity, consumables and other costs such as security and insurance. Production costs are detailed in note 9 to the Consolidated Financial Statements. The on-mine cost per ounce of gold sold in 2020 excludes the costs relating to 1,585 ounces of work in progress which was sold immediately after the end of 2020. The on-mine cost per ounce for 2020 increased by 14% compared to 2019. On-mine cost in 2020 was adversely affected by increased maintenance costs for the underground trackless equipment. To reduce capital costs, the fleet largely comprises refurbished, second-hand equipment which requires more maintenance. Due to travel restrictions relating to the COVID-19 pandemic, the Johannesburg-based contractor who was engaged to supervise and optimise the maintenance schedule was unable to travel to Blanket. The maintenance programme has been re-instated and the fleet is being replaced with new equipment. The performance of the fleet has improved in 2021. On-mine cost includes certain costs that are beyond the control of management (i.e. "non-controlled costs") which include costs relating to COVID-19 (e.g. items of PPE, sanitisers etc); the cost of running diesel generators due to the instability of the grid electricity supply and cash settled share based expenses for employees at the mine (which is largely determined by the performance of the Company's share price). The table below shows IFRS production costs adjusted for such costs for 2020 and 2019.

### Adjusted production costs (\$'000's)

12 Months to December 31	2020	2019
IFRS production costs	43,711	36,400
Minus "non-controlled costs":		
COVID-related cost included in production cost	(824)	–
Diesel generator costs	(1,825)	(1,366)
Cash-settled share-based payments	(634)	(107)
Total non-controlled costs	(3,283)	(1,473)
Adjusted IFRS production cost	40,428	34,927
Tonnes milled (tonnes)	597,962	556,331
Adjusted Dollar production cost per tonne milled (\$/tonne)	67.61	62.78
Ounces of gold sold (oz)	57,137	54,801
Adjusted IFRS production cost per ounce of gold sold (\$/oz)	701	637

Excluding non-controlled costs, IFRS production costs per ounce (which excludes the effect of variations in the grade or recovery) increased for 2020 by 10.1% from \$637/ounce to \$701/ounce; the cost per tonne milled increased for 2020 by 7.7% from \$62.78/tonne to \$67.61/tonne.

#### AISC

The AISC for 2020 was 15% higher than 2019. The increase was due to the higher on-mine cost per ounce as discussed above and the cost of increased insurance cover for directors and officers and increased wages and salaries.

#### All-in costs

All-in costs include investment in expansion projects which remained at a high level in 2020 due to the continued investment at Blanket.

#### Indigenisation

Transactions that implemented the indigenisation of Blanket were completed on September 5, 2012 following which Caledonia owned 49% of Blanket and received a Certificate of Compliance from the Zimbabwean government which confirms that Blanket is fully compliant with the Indigenisation and Economic Empowerment Act.

Following the appointment of the new President in late 2017 the requirement for gold mining companies to be indigenised was removed by a change in legislation with effect from March 2018. On November 6, 2018, the Company announced that it had entered into a sale agreement with Fremiro to purchase Fremiro's 15% shareholding in Blanket for a gross consideration of \$16.7 million which was to be settled through a combination of the cancellation of the loan between the two entities which stood at \$11.5 million as at June 30, 2018 and the issue of 727,266 new shares in Caledonia at an issue price of \$7.15 per share. This transaction was completed on January 20, 2020 following which Caledonia has a 64% shareholding in Blanket and Fremiro received approximately 6.3% of Caledonia's enlarged issued share capital.

As a 64% shareholder, Caledonia receives 64% of Blanket's dividends plus the repayment of vendor facilitation loans which were extended by Blanket to certain of the indigenous shareholders. The outstanding balance of the facilitation loans at December 31, 2020 was \$19.2 million (December 31, 2019: \$31.0 million), the reduction being largely due to the cancellation of the outstanding loan due from Fremiro on completion of the Fremiro transaction (described above). The facilitation loans (including interest thereon) are repaid by way of dividends from Blanket; 80% of the dividends declared by Blanket which are attributable to the beneficiaries of the facilitation loans are used to repay such loans and the remaining 20% unconditionally accrues to the respective indigenous shareholders. The dividends attributable to GCSOT, which holds 10% of Blanket, are withheld by Blanket to repay the advance dividends which were paid to GCSOT in 2012 and 2013 and which had an outstanding balance of \$0.99 million at December 31, 2020 (December 31, 2019: \$1.63 million). In February 2020, Blanket agreed to a request from GCSOT that the terms of the debt relating to the repayment of the advance dividends be amended so that GCSOT would receive 20% of its attributable dividends and the balance of 80% will be applied to repay the advance dividends.

## Financial performance continued

The facilitation loans are not shown as receivables in Caledonia's financial statements in terms of IFRS. These loans are effectively equity instruments as their only means of repayment is via dividend distributions from Blanket. Caledonia continues to consolidate Blanket for accounting purposes.

### ZIMBABWE COMMERCIAL ENVIRONMENT

#### Monetary conditions

The current situation in Zimbabwe can be summarised as follows:

- There continues to be a shortage of foreign currency in Zimbabwe, although in recent months Blanket has had satisfactory access to foreign exchange due to the higher gold price and increased production.
- The rate of annual inflation increased from 5% in September 2018 to approximately 500% by December 2019. By December 2020, the monthly inflation rate had fallen to approximately 4.2% and the annual rate was approximately 350%. The 2021 average annual inflation rate up to July 31, 2021 is approximately 210%. A high rate of inflation has little effect on Blanket's operations now that Blanket has adjusted employee remuneration to reflect the increased cost of living – this is discussed further below.
- Since October 2018, bank accounts in Zimbabwe have been bifurcated between Foreign Currency Accounts ("FCA"), which can be used to make international payments, and local currency (known as "ZWL\$", "RTGS Dollars" or "RTGS\$") accounts which can only be used for domestic transactions.
- On February 20, 2019 the RBZ allowed inter-bank trading between currency held in the RTGS\$ system and the FCA system. Prior to this, the RBZ had stipulated that a Dollar in the RTGS system was worth 1 US Dollar in the FCA system. The interbank exchange rate at each quarter end since the introduction of the interbank rate in February 2019 is set out below.

#### Interbank Exchange Rates

(ZWL\$:US\$1)

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
March 31, 2020	25.000
June 30, 2020	57.3582
September 30, 2020	81.4439
December 31, 2020	81.7866
March 31, 2021	84.4001
June 30, 2021	85.4234

- The interbank trading mechanism addressed the most pressing difficulty that emerged after the October 2018 policy implementation, being the erosion of the purchasing power of Blanket's employees due to rapidly increasing retail prices which had an adverse effect on employee morale. Management has increased RTGS\$-denominated remuneration so that it remains more closely aligned to the US Dollar value using the interbank rate. More recently, management has also introduced an element of FCA-denominated remuneration. These measures have alleviated some of the financial anxiety experienced by Blanket employees.
- In February 2020, the RBZ announced its intention to further liberalise the interbank market with the objective of increasing liquidity and transparency. However, in response to the COVID-19 pandemic, the Minister of Finance reversed this policy and re-established a fixed exchange rate of ZWL\$25:US\$1 with effect from March 26, 2020. Despite the fixed exchange rate, the local currency continued to devalue on the informal exchange markets. On June 23, 2020, the RBZ introduced an "auction system" whereby, on a weekly basis, buyers and sellers of local currency and foreign exchange submit tenders which the RBZ uses to determine a revised interbank rate. Mining companies were excluded from the auction system in June of 2021 but can now apply to the RBZ for allocations to exchange ZWL\$.
- Zimbabwean gold producers, including Blanket, are required to sell their gold to Fidelity. Prior to May 26, 2020, 55% of the sale proceeds were received in FCA and the balance was received in RTGS\$. From May 26, 2020 gold producers received 70% of their sale proceeds in FCA and the balance was received in RTGS\$. With effect from January 7, 2021, gold producers receive 60% of their revenues in FCA and the balance in RTGS\$. Blanket uses the FCA component to pay for imported goods, services, electricity and a portion of the wages and salaries at Blanket; the RTGS\$ component is used to pay for goods and services procured in Zimbabwe, the remaining portion of wages and salaries at Blanket and payroll taxes and a proportion of Blanket's income tax. At prevailing gold prices and the current rate of production, the 60% FCA allocation in conjunction with the allocation system is sufficient for Blanket to continue normal mining operations, to fully implement the investment plan as scheduled and allow Caledonia to remit dividends from Zimbabwe.
- Provided the interbank exchange rate is efficient, Blanket continues to receive the necessary foreign exchange from the allocation by the RBZ and Blanket receives the amounts due promptly, in full and at an exchange rate which reflects economic fundamentals, management is optimistic the current policy is an acceptable environment. Investors should recognize that Blanket's ability to implement its investment plan and Caledonia's ability to sustain its operations outside Zimbabwe and pay future dividends depends, inter alia, on the ability to continue to externalise cash from Zimbabwe.
- Throughout these developments and to the date of issue of the Consolidated Financial Statements the US Dollar has remained the primary currency in which the group's Zimbabwean entities operate and the functional currency of these entities.



## Financial performance continued

### Export credit incentive

Blanket sells gold to Fidelity at a price which is 98.75% of the price fixed by the London Bullion Market Association (the “LBMA price”).

The RBZ first announced an ECI on the gold proceeds for all large-scale gold mine producers during 2016 which was calculated as a percentage of the gold proceeds less the charges of Fidelity. The below table indicates when the ECI was applicable and the percentages granted.

ECI applicable periods	Percentage
May 1, 2016 – December 31, 2017	3.5%
January 1, 2018 – January 31, 2018	2.5%
February 1, 2018 – February 20, 2019	10%
February 21, 2019 – March 9, 2020	0%
March 10, 2020 – June 26, 2020	25%

All incentives granted by the Zimbabwean government were included in other income when determined receivable. Incentives were received in Blanket Mine’s RTGS\$ account. The ECI fell away after June 26, 2020. Income arising from the ECI in 2020 was \$4.7 million (2019: \$0.9 million); any income from such sources was included as part of Other income “Government Grant - Gold sale export credit incentive” and was treated as a deduction from costs for the purposes of calculating all-in sustaining costs.

### Taxation

The main elements of the Zimbabwe tax regime insofar as it affects Blanket and Caledonia are as follows:

- A royalty is levied on gold revenues at a rate of 5% if the gold price is above \$1,200 per ounce; a royalty rate at 3% applies if the gold price is below \$1,200. With effect from January 1, 2020 the royalty is allowable as a deductible expense for the calculation of income tax.
- Income tax was levied at 25.75% on profits as adjusted for tax purposes. The main adjustments to profit for the purposes of calculating tax are the add-back of depreciation and most of the management fees paid by Blanket to CMSA. 100% of all capital expenditure incurred in the year of assessment is allowed as a deductible expense. Deferred tax is raised for the difference between capital expenditure and depreciation, in addition to other timing differences such as unrealized foreign exchange gains and losses. The calculation of taxable income is performed using financial records prepared in RTGS\$: in an environment where the local currency is rapidly depreciating against the US Dollar, this significantly reduces the deferred tax liability; however, it increases the taxable profits denominated in local currency. The income tax liability is translated into US Dollars for reporting purposes, but the eventual payment of the liability is made in a combination of US Dollars and local currency, which may give rise to further exchanges gains or losses. With effect from January 1, 2021 mining entities will be levied income tax at a rate of 24.72%.
- Withholding tax is levied on certain remittances from Zimbabwe i.e. dividend payments from Zimbabwe to the UK and payments of management fees from Blanket to CMSA.

### INVESTING

An analysis of investment in years 2020, 2019 and 2018 is set out below.

	2020 \$'000's	2019 \$'000's	2018 \$'000's
Total Investment – property, plant and equipment	<b>24,778</b>	20,423	19,453
Blanket	<b>24,315</b>	20,128	19,438
Solar	<b>372</b>	–	–
Other	<b>91</b>	295	15
Total investment – exploration and evaluation assets	<b>3,058</b>	172	462
Connemara North	<b>300</b>	–	–
Glen Hume	<b>2,661</b>	–	–
Other satellite properties	<b>97</b>	172	462

Investment at Blanket is in terms of the investment plan that was announced in October 2014. Investment that takes place other than at Blanket largely comprises capital items that are purchased by CMSA which will be sold on to Blanket in due course. All further investment at Blanket is expected to be funded from Blanket’s internal cash flows and its Zimbabwean borrowing facilities.

### FINANCING

The Company raised \$13 million (before expenses) during the third quarter of 2020 by issuing 597,963 shares at an average price of \$21.74 per share. The proceeds of this financing are intended to fund the construction of a solar plant. Other than the issue of equity to fund the solar project, Caledonia financed all its operations using funds on hand and those generated by its operations. The Company has no debt other than loan facilities which are held by Blanket and which are as set out below at December 31, 2020:

#### Blanket debt facilities

Lender	Date drawn	Principal value (RTGS\$m)	Balance drawn at June 30, 2020 (RTGS\$m)	Repayment terms	Security
<b>Term facilities</b>					
<b>Stanbic Bank Zimbabwe Limited</b>	Dec 2018	6	6	Single bullet in December 2021	Unsecured
<b>First Capital Bank Limited</b>	Oct 2018	35	35	4 equal quarterly installments commencing December 2020	Unsecured
<b>Overdraft facilities</b>					
<b>Stanbic Bank Zimbabwe Limited</b>	Aug 2019	15	Nil	On demand	Unsecured
<b>First Capital Bank Limited</b>	Oct 2019	10	Nil	On demand	Unsecured

Due to the continued devaluation of the RTGS\$, loan facilities denominated in RTGS\$ have substantially reduced in US Dollar terms which has eroded Blanket’s working capital. Blanket continues efforts to maintain its RTGS\$ denominated borrowing facilities.

## Financial performance continued

### LIQUIDITY AND CAPITAL RESOURCES

An analysis of Caledonia's capital resources at December 31, 2020 and December 31, 2019 is set out below.

#### Liquidity and capital resources (\$'000's)

As at	Dec 31 2020	Dec 31 2019
Overdraft	–	490
Term facility	408	2,471
Gold ETF	1,184	–
Cash and cash equivalents in the statement of cashflows (net of overdraft)	19,092	8,893
Working capital	34,622	19,960

### OFF-BALANCE SHEET ARRANGEMENTS, CONTRACTUAL COMMITMENTS AND CONTINGENCIES

There are no off-balance sheet arrangements apart from the facilitation loans of \$19.2 million which are not reflected as loans receivable for IFRS purposes (refer to note 6 of the Consolidated Financial Statements). The Company had the following contractual obligations at December 31, 2020:

#### Payments due by period (\$'000's)

Falling due	Within 1 year	1-3 years	4-5 years	After 5 years	Total
Trade and other payables	8,664	–	–	–	8,664
Term loan	408	–	–	–	408
Provisions	139	793	93	2,542	3,567
Capital expenditure commitments	2,998	–	–	–	2,998
Lease liabilities	61	178	–	–	239
Cash-settled share-based payments	336	1,934	–	–	2,270
<b>Total</b>	<b>12,606</b>	<b>2,905</b>	<b>93</b>	<b>2,542</b>	<b>18,146</b>

The capital expenditure commitments relate primarily to materials and equipment which have been ordered by CMSA and which will be sold on to Blanket. In addition to the committed purchase obligations set out above, Blanket intends to invest approximately \$23 million in the years 2021 and 2022, which is also uncommitted. The committed and uncommitted investment will be used to maintain Blanket's existing operations and implement the Central Shaft.

In addition, the Company intends to invest approximately \$12.5 million on the solar project in 2021 and up to \$1.8m in the period to June 2022 on evaluating the Connemara North property. Payments on the options are not committed at present and will be dependent on the outcome of the drilling results.

Committed and uncommitted purchase obligations are expected to be met from the cash generated from Blanket's existing operations and Blanket's existing borrowing facilities and, in respect of the cost of the proposed solar project, the proceeds of the issue of shares.

The group leases property for its administrative offices in Jersey, Harare and Johannesburg; following the implementation of IFRS 16 the group recognises the liabilities for these leases. As of December 31, 2020, Caledonia had potential liabilities for rehabilitation work on Blanket – if the mine is permanently closed – at an estimated discounted cost of \$3.6 million (2019: \$3.3 million; 2018: \$3.3 million).

### NON-IFRS MEASURES

Throughout this document, we have provided measures prepared in accordance with IFRS in addition to some non-IFRS performance measures for investors who use them to evaluate our performance. Since there is no standard method for calculating non-IFRS measures, they are not a reliable way to compare Caledonia against other companies. Non-IFRS measures should be used along with other performance measures prepared in accordance with IFRS. We have defined below the non-IFRS measures we have used in this document and provide a reconciliation of such non-IFRS measures to the IFRS measures we report.

#### Cost per ounce

Non-IFRS performance measures such as "on-mine cost per ounce", "AISC" and "all-in cost per ounce" are used in this document. Management believes these measures assist investors and other stakeholders in understanding the economics of gold mining over the life-cycle of a mine. These measures are calculated on the basis set out by the World Gold Council in a Guidance Note published on June 23, 2013 and accordingly differ from the previous basis of calculation. The table below reconciles "on-mine cost per ounce", "AISC" and "all-in cost per ounce" to the production costs shown in the financial statements which have been prepared under IFRS.



## Financial performance continued

### Reconciliation of IFRS production cost to non-IFRS costs per ounce (\$'000's unless otherwise indicated)

As at	Dec 31 2020	Dec 31 2019*
Production cost (IFRS)	43,711	36,400
COVID-19 expenses included in operating cost	(1,038)	-
Cash-settled share-based expense	(634)	(107)
Less exploration and site restoration costs	(708)	(826)
Other cost and intercompany adjustments	1,201	212
On-mine production cost	42,532	35,679
Gold sales (oz)	57,137	54,801
<b>On-mine costs per ounce (\$/oz)</b>	<b>744</b>	<b>651</b>
Royalty	5,007	3,854
Exploration, remediation and permitting cost	468	416
Sustaining capital expenditure	760	565
Administrative expenses	7,997	5,637
Silver by-product credit	(86)	(64)
Share-based payment expense	634	107
Share-based payment expense included in production cost	1,413	689
AISC before ECI	58,725	46,883
Gold sales (oz)	57,137	54,801
<b>AISC per ounce before ECI (\$/oz)</b>	<b>1,028</b>	<b>856</b>
ECI	(4,695)	(1,930)
All-in sustaining cost	54,030	44,953
Gold sales (oz)	57,137	54,801
<b>AISC per ounce after ECI (\$/oz)</b>	<b>946</b>	<b>820</b>
Solar expenses	230	160
COVID-19 donations	1,322	-
COVID-19 expenses	1,038	-
Permitting and exploration expenses	373	132
Non-sustaining capital expenditure	24,018	20,030
Total all in cost	81,011	65,275
Gold sales (oz)	57,137	54,801
<b>All-in costs per ounce (\$/oz)</b>	<b>1,418</b>	<b>1,191</b>

\* Restated

### Average realised gold price per ounce

"Average realised gold price per ounce" is a non-IFRS measure which, in conjunction with the cost per ounce measures described above, allows stakeholders to assess our performance. The table below reconciles "Average realised gold price per ounce" to the revenue shown in the financial statements which have been prepared under IFRS.

### Reconciliation of average realised gold price per ounce

	12 Months to December 31	
	2020	2019
<b>Revenue (IFRS)</b>	<b>100,002</b>	<b>75,826</b>
Revenues from sales of silver	(86)	(64)
Revenues from sales of gold	99,916	75,762
Gold ounces sold (oz)	57,137	54,801
Average realised gold price per ounce (US\$/oz)	1,749	1,382

### Adjusted EPS

"Adjusted EPS" is a non-IFRS measure which management believes assists investors in understanding the Company's underlying performance. Adjusted EPS excludes foreign exchange gains and losses, deferred tax, impairments and profit on disposal of a subsidiary which benefited the prior year IFRS EPS. The table below reconciles "adjusted EPS" to the Profit/Loss attributable to owners of the Company shown in the financial statements which have been prepared under IFRS.



## Financial performance continued

### Reconciliation of adjusted EPS to IFRS profit attributable to owners of the Company

	12 Months to December 31	
	2020	2019*
Profit for the year (IFRS)	25,257	50,401
Non-controlling interest share of profit for the year	(4,477)	(8,383)
<b>Profit attributable to owners of the Company</b>	<b>20,780</b>	<b>42,018</b>
BETS adjustment	(485)	(986)
Earnings (IFRS)	20,295	41,032
Weighted average shares in issue (thousands)	11,704	10,742
IFRS EPS (cents)	173	382
<b>Add back/(deduct) amounts in respect of foreign exchange movements</b>		
Realised net foreign exchange (gains)/losses	4,062	1,648
- less tax	(1,006)	(414)
- less non controlling interest	(383)	(198)
Unrealised net foreign exchange gains	(8,369)	(31,309)
- less tax	2,158	519
- less non controlling interest	836	5,000
Adjusted IFRS profit excl. foreign exchange	17,593	16,278
Weighted average shares in issue (thousands)	11,704	10,742
Adjusted IFRS EPS excl foreign exchange (cents)	150	152
<b>Add back/(deduct) amounts in respect of:</b>		
Reversal of Blanket Mine Employee Trust adjustment	485	986
Impairment of E&E assets	2,930	–
Deferred tax	3,523	2,460
Deferred tax net of non controlling interest	(900)	(477)
Profit on sale of subsidiary	–	(4,409)
Hedge loss	266	601
Adjusted profit	23,897	15,439
Weighted average shares in issue (thousands)	11,704	10,742
Adjusted EPS (cents)	204	144

\* Restated

### CRITICAL ACCOUNTING ESTIMATES

In preparing the Consolidated Financial Statements, management is required to make estimates and assumptions that affect the amounts represented in the Consolidated Financial Statements and related disclosures. Use of available information and the application of judgement are inherent in the formation of estimates. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

For Caledonia's significant accounting policies refer to note 4 and 5 in the Consolidated Financial Statements that can be found on Caledonia's website ([Reports & Presentations - Caledonia Mining Corporation Plc](#)).





# Governance

CHAIRMAN OF THE BOARD’S STATEMENT	56
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Caledonia endorses and is committed to the principles of good corporate governance and corporate citizenship. Overall responsibility for governance lies with the Board of Caledonia which has adopted a number of policies and charters for Caledonia and its group of companies and these are regularly reviewed and updated.

In accordance with the requirement of Rule 26 of the AIM Rules for Companies issued in March 2018, Caledonia must provide details of a recognised corporate governance code that the Board of Caledonia has decided to apply, how the Company complies with that code, and where it departs from its chosen corporate governance code an explanation of the reasons for doing so. The Board has decided to adopt the QCA Corporate Governance Code. The Company also adheres to other applicable corporate governance standards including those required by the NYSE American and Canadian requirements relating to Corporate Governance.

The Board has adopted a Code of Business Conduct, Ethics and Anti-Bribery Policy ("Ethics Code") which commits Caledonia and its group of companies, directors and employees to the highest standards of business and ethical conduct. All such persons and all contractors must follow and abide by the Ethics Code, a copy of which can be found on Caledonia's website (<https://www.caledoniamining.com/about/corporate-governance/>).

A sound approach to corporate governance promotes the creation of sustainable shared value by reconciling the interests of the group and our stakeholders by promoting strategic decision making on the basis of Caledonia's values, goals, resources and risk appetite.



# Chairman of the Board's statement

"I, together with my fellow Board members, recognise the importance of good corporate governance that supports the Company's medium and long-term success."



**Leigh A Wilson**

Independent Non-executive Chairman

I, together with my fellow Board members, recognise the importance of good corporate governance that supports the Company's medium and long-term success. Notwithstanding adherence by the Company to the relevant governance laws and principles by virtue of its multi-jurisdictional operating environment, the Board has decided, in particular, to apply the principles of the QCA Corporate Governance Code. The Code sets out best practices for small to medium companies and we have outlined the ten principles of the Code and explain how the Company has applied them below.

The Company has two executive directors and six independent non-executive directors, thus ensuring a high level of independent views on the Board. All major decisions relating to the business are made by the Board as a whole, supported by the work of its committees and their recommendations. The Board will continue to review the composition of the Board and its committees as the Company grows and evolves.

The directors have a wealth of experience from diverse professional and personal backgrounds. I am responsible for leading the Board, including ensuring that an appropriate level of diversity is maintained to promote distinct perspectives, and for implementing a robust governance framework. The CEO is responsible for leading the business in its strategic pursuits and for ensuring that the Company's business model is implemented effectively and in line with the Company's values.

This inaugural IR provides information on our financial performance in 2020, our financial position at the end of 2020 and on our strategy, governance practices and outlook. Any material events after the reporting date and up to the approval by the Board of the IR have also been included in this report. This IR should be read in conjunction with our inaugural ESG Report which provides context on our environmental, social and governance performance.

## GOVERNANCE

As Chairman, I am principally responsible for setting the ethical tone of the Board and the Company, providing overall leadership to the Board without limiting the principle of collective responsibility of the Board for its decisions and for considering and approving the long-term strategy and vision for the Company.



## Chairman of the Board's statement continued

The Board meets at least quarterly and as required from time to time to consider specific issues required for decision by the Board. Amongst other things, the Board is responsible for setting the Company's strategy, ensuring corporate governance is of an appropriate standard, approving the business plan and appointing the CEO. The Board reviews key business risks regularly, including the financial and non-financial risks facing the business.

### COVID-19

The COVID-19 pandemic created unprecedented operating challenges from March 2020. The CEO provides more context in his statement on these challenges and how we responded. The rapid and decisive measures we implemented protected our workforce and their families and safeguarded the business. The pandemic had no appreciable effect on production and only a minor effect on operating costs. The pandemic did, however, delay the completion of the Central Shaft project which was commissioned in March 2021 instead of October 2020.

### HEALTH AND SAFETY

Creating and maintaining a safe operating environment for our workers and contractors is our top priority. The CEO and COO provide further detail in their statements on the measures they have taken to improve our performance in this area. To reinforce the non-negotiable importance of health and safety, it is one of the criteria that is considered when setting executive remuneration and performance rewards.

### FINANCE AND DIVIDEND

The CFO in his statement discusses our financial performance in 2020 and the outlook. Caledonia has paid a quarterly dividend for many years and the dividend is an important tool for creating shareholder returns. I am pleased to note that the July 2021 dividend was the sixth increase in quarterly dividends from January 2020. The total quarterly dividend as at the end of July 2021 was 13 US cents per share – an 89% increase from October 2019.

Caledonia does not have a predetermined dividend pay-out ratio as the Board believes this would be too restrictive. The Board is comfortable for the Company to be judged on our track-record: we have maintained the dividend over an extended period during which we had a substantial capital investment plan; and we moved quickly to increase the dividend as we approached the end of the capital investment programme at Blanket. We have clearly articulated an intention to increase the dividend further as we reap the rewards of the investment in Blanket, whilst at the same time using some of the incremental cash flow to invest in new growth opportunities.

### STRATEGY AND OUTLOOK

One of the functions of the Board is to challenge the management team to develop and implement a strategic plan for the business. Since early 2015, Caledonia's strategy has been focused on completing Central Shaft which is fundamentally important to increase the cash-generation of the Company. When we achieve the target production of 80,000 ounces of gold per annum from 2022, we expect to have the financial and managerial capacity to take on new opportunities.

The management team has already evaluated numerous opportunities in the Zimbabwe gold sector. I am pleased that at the end of 2020 we made our first steps to build a growth pipeline by acquiring options over two exploration properties in Gweru, Zimbabwe. We have identified a small number of additional targets in Zimbabwe which we continue to pursue. Although we believe Zimbabwe is a highly prospective gold territory, there is no certainty that exploration at the projects we have already secured will be successful or that we will secure additional properties in Zimbabwe. We have therefore recently broadened our scope to consider gold opportunities outside Zimbabwe.

Our approach to evaluating investment opportunities is simple: any new investment must have a reasonable prospect of materially increasing the net present value of the Company attributable to each share in issue and the dividend per share that the Company can afford to pay.

As we approach the completion of the six-year Central Shaft project I look to the future with optimism. Central Shaft establishes Blanket as a long-life, highly cash generative gold producer which will give us the financial capacity to embark on new projects in Zimbabwe and elsewhere. We have already made good progress in securing access to new projects which, hopefully, will result in accelerated growth for the benefit of all stakeholders.

### ACKNOWLEDGEMENTS

I would like to thank the management and employees of the group for their dedication and hard work for the year under review – often in the face of very difficult conditions.

**Leigh A Wilson**

Independent Non-Executive Director





# Application of the QCA Corporate Governance Code

Caledonia has adopted the QCA Corporate Governance Code. The QCA Corporate Governance Code is principles based.

The ten principles of the Code are described below together with an explanation of how the Company applies the principles. In addition to the disclosures set out below against the principles, the correct application of the Code requires that the Chair provides a clear explanation of how the Company applies the Code (included in the Chairman's statement above).

## DELIVER GROWTH

1	Establish a strategy and business model which promote long-term value for shareholders	<p>Caledonia is an exploration, development and mining business focused on Zimbabwe and its primary asset is a 64% ownership in Blanket, an operating gold mine in Zimbabwe.</p> <p>Caledonia's strategic focus is to implement the investment programme at Blanket, the main component of which is the Central Shaft project that includes underground capital development. Caledonia believes that the successful completion of the project is in the best interests of all stakeholders because it is expected to result in increased production, reduced operating costs and increased flexibility to undertake further exploration and development, thereby safeguarding and enhancing Blanket's long-term future.</p> <p>Caledonia also continues to evaluate other investment opportunities in Zimbabwe which would not fall underneath Blanket's ownership.</p> <p>Further details of Caledonia's strategy and progress can be found in its latest quarterly management discussion and analysis and its RNS announcements to be found on Caledonia's website (<a href="http://www.caledoniamining.com">www.caledoniamining.com</a>).</p>
2	Seek to understand and meet shareholder needs and expectations	<p>The Company engages with shareholders on a regular basis to understand and meet their needs and expectations.</p> <p>Communication to shareholders is predominantly through quarterly financial results and accompanying management discussion and analysis, RNS announcements, regulatory filings, website content, corporate presentations, video interviews, national and international media (including social media).</p> <p>Shareholders are invited to participate in annual general meetings, and investors are invited to attend conference calls on a half yearly basis to receive presentations and ask questions on financial results and the state and progress of the business.</p> <p>Management attends various shareholder and analyst industry events throughout the year at which it presents and answers questions on the strategy and development of the business.</p> <p>Caledonia welcomes the opportunity to engage with shareholders throughout the year and is regularly contacted directly via email and telephone.</p>

## DELIVER GROWTH

3	Take into account wider stakeholder and social responsibilities and their implications for long-term success	<p>The Company recognises that its long-term success relies upon good relations with all its stakeholder groups, both internal and external, and taking account of their views.</p> <p>Stakeholders include shareholders, employees, the local community, government, suppliers, customers, regulators, industry bodies and creditors. The principal ways in which their feedback is gathered are via meetings and conversations.</p> <p>Regular dialogue is held externally with wider stakeholder group representatives, including in particular government authorities and the local community, to ensure that operations in Zimbabwe are conducted effectively and with due regard to the business' obligations to the people and environment of Zimbabwe.</p> <p>The Company's corporate and social responsibility strategy can be found on Caledonia's website (<a href="http://www.caledoniamining.com">www.caledoniamining.com</a>).</p>
4	Embed effective risk management, considering both opportunities and threats, throughout the organisation	<p>The Board has ultimate responsibility for risk management and its Committees assist it in its continuous assessment and management of potential risks to the Company.</p> <p>In conjunction with risk management and in addition to its other duties, the Audit Committee is tasked with providing an open avenue of communication between management, the Company's external and internal auditors and the Board to assist the Board in its oversight of:</p> <ul style="list-style-type: none"> <li>→ processes for identifying the principal financial risks of Caledonia and the control systems in place to monitor them;</li> <li>→ enterprise risk management; and</li> <li>→ risks related to financial reporting,</li> </ul> <p>as well as making regular enquiries of management and internal and independent auditors to identify significant business, political, financial and control risks and exposures and to assess the steps management has taken to minimise such risks.</p> <p>The risk management sub-committee of the Audit Committee assists the Committee in its role by reporting on a quarterly basis to the Audit Committee management's assessment of the risks to the business taking into account their impact and likelihood, the management of those risks, mitigation and how to properly communicate those risks.</p>

## MAINTAIN A DYNAMIC MANAGEMENT FRAMEWORK

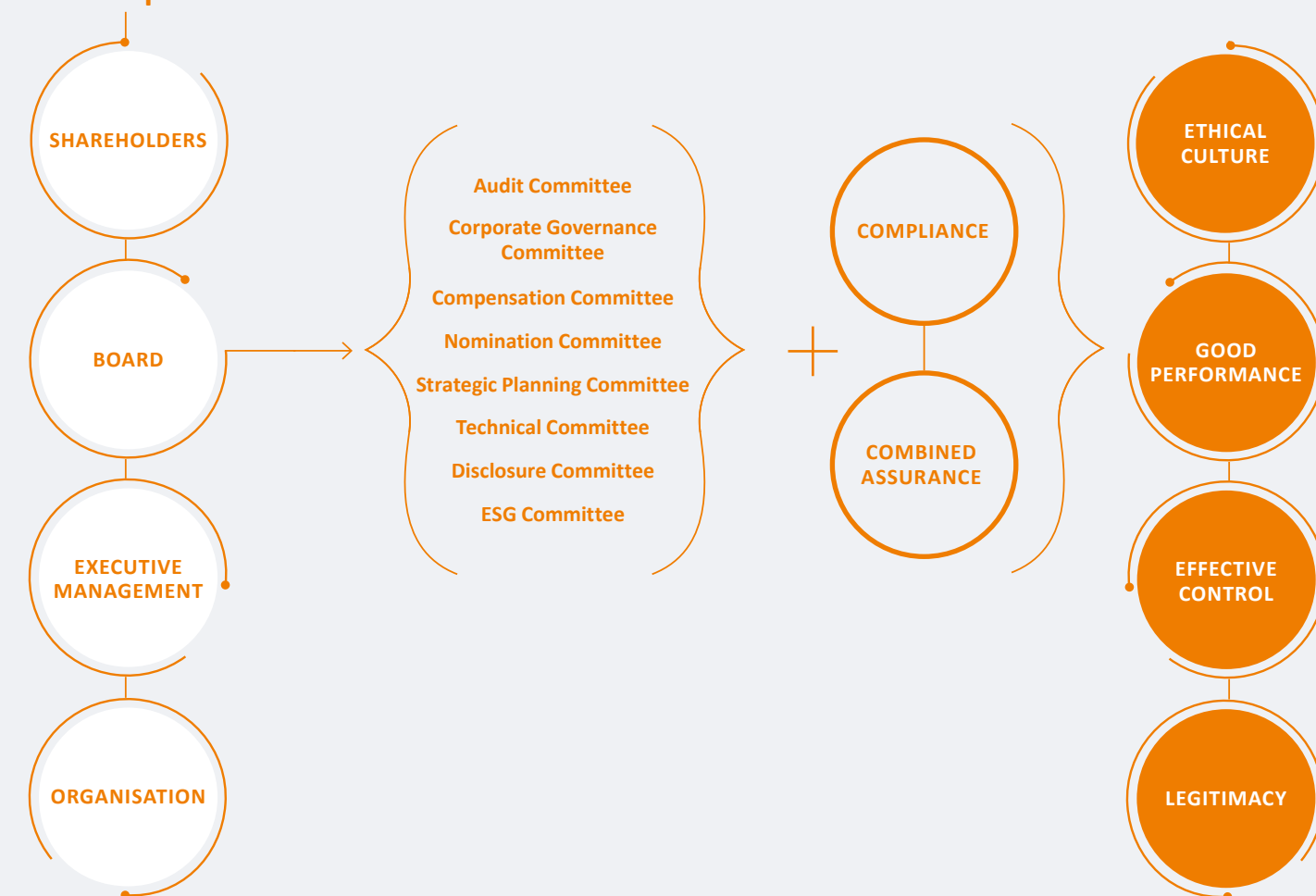
5	Maintain the Board as a well-functioning, balanced team led by the Chair	<p>The Board, led by the Chair, and the Committees regularly receive detailed and high-quality information to facilitate proper assessment of any matters requiring a decision or discussion.</p> <p>The Board consists of two executive directors (CEO and CFO) and five independent non-executive Directors (six from 2021). The Board must ensure that at all times the roles of Chairman and CEO are kept clearly separate.</p> <p>The Directors bring to the Board and its Committees a wide range of complementary technical skills and experience. Biographies of each of the Directors and the composition of each of the Committees can be found on Caledonia's website (<a href="http://www.caledoniamining.com">www.caledoniamining.com</a>).</p> <p>Succession planning is considered by the Board to be a crucial element of ensuring continued success and long-term prosperity for the business. The Nomination Committee is responsible for the succession strategy for executive management and the Board and to ensure that high-potential individuals are identified and supported appropriately.</p> <p>All Directors retire each year, and can put themselves forward for re-election, in accordance with the Company's articles of association.</p>
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## Application of the QCA Corporate Governance Code continued

MAINTAIN A DYNAMIC MANAGEMENT FRAMEWORK																														
6	Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities	<p>Directors who have been appointed to the Board have been chosen because of the skills and experience they offer. The Board has strong, relevant experience across the areas of mining, accounting and investment banking.</p> <p>The Board is satisfied that, between the Directors, it has an effective and appropriate balance of skills and experience, including in particular in the areas of gold mining and exploration. Skills and knowledge have been gained through aggregated experience in gold mining and the wider sector and these are maintained through ongoing involvement and participation within the industry.</p> <p>All Directors receive regular and timely information on the group's operational and financial performance.</p> <p>The Board regularly retains the services of advisors to provide guidance in the areas of mining, financial markets, acquisitions, and law.</p> <p>The Company's General Counsel, Company Secretary and Head of Risk and Compliance is tasked with ensuring that the business is compliant with relevant legislation and regulatory requirements, and keeps the Board informed of its legal responsibilities.</p>																												
7	Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement	<p>The Company continually monitors the performance of all its employees and directors.</p> <p>The Corporate Governance Committee evaluates the performance of the Board and its committees at a formal meeting every year based on the work they have conducted.</p> <p>Regularly scheduled Technical Committee, Audit Committee and Board meetings are held quarterly to coincide with the Company's quarterly financial results reporting, and the Board and its Committees meet frequently to consider a variety of other matters.</p> <p>The numbers of meetings held in a year, and absences, are disclosed in the Company's management information circular in the following year. In 2020, the most recently completed year, attendance was as follows:</p> <table><tr><td></td><td>Board</td><td>Audit</td><td>Compensation</td><td>Corporate Governance</td><td>Nomination</td><td>Technical</td><td>Strategic Planning</td><td>Disclosure</td><td>ESG Committee</td></tr><tr><td>Number of meetings held during 2020</td><td>16</td><td>4</td><td>2</td><td>1</td><td>1</td><td>6</td><td>–</td><td>–</td><td>–</td></tr></table> <p>Absences:</p> <p>* Mr Johan Holtzhausen (on March 27, 2020; April 28, 2020; May 6, 2020 and September 30, 2020) and Mr. Nick Clark (on September 10, 2020).</p> <p>** Mr Johan Holtzhausen (on May 6, 2020).</p> <p>*** Mr. John McGloin (on October 20, 2020); Mr Johan Holtzhausen and Mr. Steve Curtis (on October 27, 2020).</p> <p>Agreed personal objectives and targets, including financial and non-financial metrics, are set each year for the executive Directors and performance is measured against these metrics.</p>										Board	Audit	Compensation	Corporate Governance	Nomination	Technical	Strategic Planning	Disclosure	ESG Committee	Number of meetings held during 2020	16	4	2	1	1	6	–	–	–
	Board	Audit	Compensation	Corporate Governance	Nomination	Technical	Strategic Planning	Disclosure	ESG Committee																					
Number of meetings held during 2020	16	4	2	1	1	6	–	–	–																					
MAINTAIN A DYNAMIC MANAGEMENT FRAMEWORK																														
8	Promote a corporate culture that is based on ethical values and behaviours	<p>The Company's Code of Business Conduct, Ethics and Anti-Bribery Policy, a copy of which can be found on Caledonia's website (<a href="http://www.caledoniamining.com">www.caledoniamining.com</a>), commits the Company's group, its boards of directors and employees to the highest standards of business and ethical conduct.</p> <p>All employees, directors and contractors must follow and abide by the code. The fundamentals of the code represent the basic beliefs that the Company aspires to and are expected to be reflected at all times. The Company's directors, management team and the procurement and finance teams have had specific training on the application of the code and all employees and contractors are expected to familiarise themselves with the code and acknowledge its application to them.</p> <p>Caledonia recognises the impact that the group's mining activities have on the local community in Zimbabwe. Nearly 99% of the group's employees are Zimbabwean and most are permanent residents of the mine village. The Company believes it is critical that both employees and the local community are integral stakeholders in the long-term prosperity and sustainability of the business. In 2012, the Company facilitated: the acquisition of a 10% ownership interest in the mine by a trust in favour of the employees at the mine; and the donation of a 10% ownership interest in the mine to a trust in favour of the local community, and it also paid this trust advance dividends. At the same time, it also facilitated the acquisition of a 16% ownership interest in the mine by the Zimbabwean government.</p> <p>The mine supports various local CSR initiatives as reported in the Company's quarterly management discussion and analysis and in conjunction with its CSR strategy. With the Company's focus towards future environmental sustainability, it has recently appointed a contractor to build a renewable energy plant at the mine which should, amongst other things, reduce the mine's use of fossil fuels.</p>																												
9	Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board	<p>The Company has adopted, and will maintain, governance structures and processes that are fit for purpose. The Board considers that the group's governance framework is appropriate and in line with its plans and acknowledges that it may evolve over time in parallel with the development of the business. The composition of the Committees and their roles, which are set out in their charters, are available on Caledonia's website (<a href="http://www.caledoniamining.com">www.caledoniamining.com</a>). The Chair of the Board and each of the relevant Committees is as follows:</p> <table><tr><th>Body</th><th>Name</th></tr><tr><td>Board</td><td>Leigh Wilson</td></tr><tr><td>Audit Committee</td><td>Johan Holtzhausen</td></tr><tr><td>Technical Committee</td><td>Nick Clarke</td></tr><tr><td>Strategic Planning Committee</td><td>Leigh Wilson</td></tr><tr><td>Corporate Governance Committee</td><td>John Kelly</td></tr><tr><td>Nomination Committee</td><td>Leigh Wilson</td></tr><tr><td>Compensation Committee</td><td>John Kelly</td></tr><tr><td>ESG Committee</td><td>Geralda Wildschutt</td></tr></table>									Body	Name	Board	Leigh Wilson	Audit Committee	Johan Holtzhausen	Technical Committee	Nick Clarke	Strategic Planning Committee	Leigh Wilson	Corporate Governance Committee	John Kelly	Nomination Committee	Leigh Wilson	Compensation Committee	John Kelly	ESG Committee	Geralda Wildschutt		
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Corporate Governance Committee	John Kelly																													
Nomination Committee	Leigh Wilson																													
Compensation Committee	John Kelly																													
ESG Committee	Geralda Wildschutt																													
BUILD TRUST																														
10	Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	<p>The Board attaches significant importance to providing shareholders and other stakeholders with clear and transparent information on the Company's activities, strategy and financial position.</p> <p>Management holds investor and analyst conference calls following the release of half and full year financial results and the Company holds a general meeting each year at which shareholders have the right to speak and ask questions of the Board and management.</p> <p>The Board receives regular updates on the views of shareholders and other stakeholders through briefings and reports from the CEO, CFO and the Company's financial advisors, as well as feedback on meetings with investors and potential investors at industry events attended by management. In addition, analysts' notes and brokers' briefings are often circulated to achieve a wide understanding of investors' views.</p>																												

# Caledonia's corporate governance structure

## Good Corporate Governance Foundation

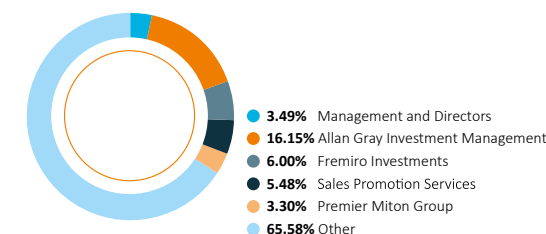


Caledonia's governance structure sets a clear picture of role delegation, areas of accountability and strong risk and performance management to identify the independent role and responsibilities in sustaining effective corporate governance. The Board believes that responsibilities delegated to management are done in line with the Company's values. The example that the Board and management set and the values and behaviours embraced by all employees in the organisation are what assist governance.

The Board of Caledonia ultimately ensures accountability for the governance and performance by approving the strategic direction of the business.

The Board also promotes ethical and effective leadership behaviour.

Shareholding in Caledonia  
as at July 31, 2021



→ Go to [pages 61 to 69](#) to find out more about the Board, its committees and the value that is added.

# Board and Board Committees

## Members of the Board



### LEIGH WILSON

**Chairman  
Independent Non-Executive Director**

Florida, USA  
Director since: 2012

Mr. Leigh Alan Wilson has been a senior executive in international business and financial services and held positions with Union Bank of Switzerland (Securities) Ltd. in London and with the Paribas Group in Paris and New York where he served as CEO of Paribas North America between 1984 and 1990.

Mr. Wilson has served on the Board of Trustees of a mutual fund complex managed by Victory Capital Management since 1993. He currently serves as Independent Chairman of the Board.

The mutual fund complex is the largest client of Victory Capital Management of Trustees of the mutual fund complex managed by Victory Capital Management, an independent investment management firm with total assets and advisement as of December 31, 2019 of \$61.8 billion.

In March 2006, Mr. Wilson received the Mutual Fund Trustee of the Year Award from Institutional Investor Magazine. Between March 2008 and October 2008, Mr. Wilson was an independent non-executive director of the Company. He was appointed Chairman in May 2013.



### STEVE CURTIS

**Executive Director  
Chief Executive Officer**

Johannesburg, South Africa  
Director since: 2008

Mr. Steven Roy Curtis is a Chartered Accountant with over 40 years of experience and has held a number of senior financial positions in the manufacturing industry. Before joining Caledonia in April 2006, he was Director Finance and Supply Chain for Avery Dennison SA and, prior to this, Financial Director and then Managing Director of Jackstadt GmbH South African operation. Mr. Curtis is a member of the South African Institute of Chartered Accountants and graduated from the University of Cape Town.

Mr. Curtis was appointed Vice-President Finance and Chief Financial Officer in April 2006 and served in the position until Dec 2014 when he was appointed as President and Chief Executive Officer.



### JOHN KELLY

**Independent Non-Executive Director**

Connecticut, USA  
Director since: 2012

Mr. John Lawson Kelly has over 37 years of experience in the financial services industry in the U.S.A and international markets including emerging markets in Asia. Mr. Kelly is currently Managing Partner of Active Capital Partners LLC an Independent Trustee of the Victory Funds and a non-executive Member of CrossRoad LLC. Within the last five years, Mr. Kelly has also been a partner of McCarvill Capital Partners and adviser to EndGate Commodities LLC. Mr. Kelly is a graduate of Yale University and the Yale School of Management.



### JOHAN HOLTZHAUSEN

**Independent Non-Executive Director**

Cape Town, South Africa  
Director since: 2013

Mr. Johan Andries Holtzhausen is a retired partner of KPMG South Africa with 42 years of audit experience, of which 36 years were as a partner focused on the mining sector. Mr. Holtzhausen chaired the Mining Interest Group at KPMG South Africa and his clients included major listed mining companies operating in Africa and elsewhere, which operated across a broad range of commodities. In addition to his professional qualifications, Mr. Holtzhausen holds a B.Sc. from the University of Stellenbosch, majoring in chemistry and geology.

Mr. Holtzhausen is chairman of the Audit and Risk Committees and a member of the Remuneration and Nomination Committee of DRD Gold Limited.



## Members of the Board continued



### **MARK LEARMONTH** Executive Director Chief Financial Officer

Jersey, Channel Islands  
Director since: 2015

Mr. John Mark Learmonth joined Caledonia in July 2008. Prior to this, he was a Division Director of Investment Banking at Macquarie First South in South Africa and has over 17 years of experience in corporate finance and investment banking, predominantly in the resources sector. Mr. Learmonth graduated from Oxford University and is a chartered accountant. He was a member of the Executive Committee of the Chamber of Mines, Zimbabwe and a member of the Gold Producers Sub-Committee.

Mr. Learmonth was appointed Vice-President Finance, Chief Financial Officer of the Company in November 2014. Mr. Learmonth was responsible for Investor Relations and Corporate Development of the Company until the appointment of Mr. Maurice Mason and Mrs. Camilla Horsfall in 2016 and 2020 respectively.



### **JOHN MCGLOIN** Independent Non-Executive Director

Bishops Stortford, United Kingdom  
Director since: 2016

Mr. John McGloin is the former Chairman and Chief Executive of Amara Mining and is currently a non-executive director of Perseus Mining Limited, a non-executive director of Cornish Metals Inc., the non-executive chairman of Oriole Resources Plc and a non-executive director of Amphi Capital Limited. Mr. McGloin joined Caledonia in August 2016. He is a geologist and graduate of Camborne School of Mines.

Mr. McGloin worked for many years in Africa within the mining industry before moving into consultancy. He joined Arbuthnot Banking Group following four years at Evolution Securities as their mining analyst. He is also the former Head of Mining at Collins Stewart.



### **NICK CLARKE** Independent Non-Executive Director

East Molesey, United Kingdom  
Director since: 2019

Mr. Nick Clarke, who is Chairman of Central Asia Metals Plc (AIM: CAML), is a highly experienced Chartered Engineer (CEng) with 45 years in the mining industry. He has held senior positions in several resource companies and is well known as a successful executive in the sector having been involved in the construction of major mining projects and conducted several fundraisings on AIM and TSX.

He has an extensive background in managing AIM and TSX listed minerals companies including his current position as Chairman of Central Asia Metals Plc, where he was CEO from 2009 until 2016. Between 2004 and 2008 he was Managing Director of Oriol Resources plc (AIM: ORI) and from 2006 to 2008 he was President and CEO of Lero Gold Corporation (TSX: LER). Mr. Clarke has significant experience as a non-executive director of a number of AIM and TSX listed resource companies having previously held non-executive directorships on the boards of Afcan Mining Corp. (TSX: AFK), Caledon Resources plc (AIM: CDN), Obtala Resources plc (AIM: OBT), Columbus Copper Corp (TSX: CCU) and Sunkar Resources plc (AIM: SKR).

Mr. Clarke is an Associate of Camborne School of Mines ("ACSM"). He is a trustee of the Camborne School of Mines Trust and is a member of the Institution of Materials Minerals & Mining ("MIMMM").



### **GERALDA WILDSCHUTT** Independent Non-Executive Director

Johannesburg, South Africa  
Director since: 2021

Ms. Gerald Wildschutt has over 25 years' experience in stakeholder engagement, corporate social responsibility, community development and social performance across mining, renewable energy, banking and the social sectors. She has worked across Africa, Latin America, Australia and Canada.

In mining, she has been a consultant to Anglo American, Gold Fields, Ivanhoe Mines and South32 on a range of ESG topics. She has held senior positions at Anglo American, Gold Fields, ABSA/ Barclays Group and Ashoka: Innovators for the Public. Gerald hold a Masters degree in Psychology from the University of Cape Town, an MBA from the Business School of the Netherlands and a post-graduate Certificate in Cross-sector Partnerships from Cambridge University.

## Members of the Board continued

### BOARD MANDATE

The Board is responsible for overseeing the management and business affairs of Caledonia and makes all major policy decisions. It may delegate certain of its authority and responsibilities to Board committees or management of Caledonia. Nonetheless, the Board retains full effective control over the Company.

### MEETINGS ATTENDANCE

The Board shall meet at least four times per year.

#### Meetings were held on:

March 11, 2020  
 March 27, 2020  
 April 28, 2020  
 May 6, 2020  
 June 26, 2020  
 July 6, 2020  
 July 21, 2020  
 August 4, 2020  
 August 10, 2020  
 September 2, 2020  
 September 10, 2020  
 September 21, 2020  
 September 30, 2020  
 November 10, 2020  
 November 19, 2020  
 December 14, 2020

Attendance of members

# 96%

### INDEPENDENCE

The majority of Caledonia's Board members are independent to ensure that decisions are made from different and diverse backgrounds, skill bases and expertise to benefit the Company and its shareholders.

No family relationships exist between any of the directors or senior management.

Every year the non-executive directors complete a checklist to confirm their independence status. At its meeting on 17 March 2021, the Board evaluated the independence of all non-executive directors (including but not limited to considering whether the length of service of any director having served longer than nine years may affect or impair that director's independence of character and judgment) and affirmatively determined that all of them continue to be independent.

### PURPOSE AND RESPONSIBILITIES

The Board assumes responsibility for:

- corporate governance;
- adopting a strategic planning process, approving strategic plans and monitoring performance against plans;
- setting the ethical tone and the creation of an ethical and compliant culture;
- reviewing, approving and monitoring company policies and procedures;
- approval of financial reports;
- steering and setting strategic direction;
- reviewing communication from Board committees and/ or management; and
- ensuring accountability.

### CONFLICT OF INTEREST

A director is prohibited from using their position, or confidential and price-sensitive information, to benefit themselves or any related third-party, whether financially or otherwise. Directors and officers are also required to inform the Board timeously of conflicts, or potential conflicts, of interest that they may have in relation to particular items of business.

### FAIR COMPENSATION

The Board, via the Compensation Committee, is committed to ensure that compensation of executive management is fair in the context of overall employee compensation. The Board is to ensure that this responsibility is monitored and reported back by the Compensation Committee.

### BOARD FOCUS AREAS FOR THE REPORTING YEAR

- **Governance**
  - Delegation of duties and responsibilities
  - Fair employee compensation
- **Production Performance**
  - Stock level availability
  - Logistics
  - Development continuation
- **Financial Performance**
  - Cashflow
  - Equity raise
  - USD currency peg
  - Dividend pay out
  - Capital requirement
- **Risk Management**
  - COVID-19 measures implemented
- **Stakeholder engagement**
  - Central Shaft contractors
  - Zimbabwean government
  - Solar plant contractors
  - Options regarding exploration properties
- **Steers and set strategic direction**

The Board is satisfied that it has fulfilled its responsibilities in accordance with its charter for the reporting period.

## Board Committees

Officers and members of senior management who serve on Board committees



### DANA ROETS

#### Chief Operating Officer

Serves on:

- Technical Committee
- Strategic Planning Committee
- Disclosure Committee
- ESG Committee

Mr. Dana Roets is a qualified Mining Engineer and holds a B.Sc. Mining Engineering degree from Pretoria University (1986) and an MBA from the University of Cape Town (1995). Mr. Roets is a South African national with over 25 years of operational and managerial experience in the South African gold and platinum industries. He started his career with Gold Fields at the St Helena Gold Mine as a graduate trainee and progressed via various operational roles from being an underground shift boss to become Vice President and Head of Operations at Kloof Gold Mine in January 1999 at which time Kloof produced over 1,000,000 ounces of gold per annum. More recently, Mr. Roets was the COO at Great Basin Gold which had gold mining operations in the United States of America and South Africa.



### CAMILLA HORSFALL

#### Vice President Investor Relations

Serves on:

- ESG Committee

Ms Camilla Horsfall joined Caledonia after seven years at Blytheweigh, a Financial PR agency where she focused on natural resources. Previous to that she was at Metal Bulletin, the UK's leading specialist publication on the global steel and commodities market. Ms. Camilla has a BA Honours Degree from Leeds University.



### ADAM CHESTER

#### General Counsel, Company Secretary and Head of Risk and Compliance

Serves on:

- Disclosure Committee
- ESG Committee

In January 2017 Mr. Adam Chester joined the management team as General Counsel, Company Secretary and Head of Risk and Compliance. Mr. Chester is a dual qualified lawyer (England and Jersey, Channel Islands) and previously worked as a solicitor at international law firms in the City of London and, more recently, as an advocate of the Royal Court of Jersey at an international offshore law firm at which he was a partner. He has nearly 20 years' experience advising businesses and individuals on a variety of commercial and corporate legal issues.



### MAURICE MASON

#### VP Corporate Development

Serves on:

- Strategic Planning Committee

Mr. Maurice Mason is an engineer with an MBA from Henley Reading University. Before joining Caledonia, Maurice was a securities analyst at Stifel, a US investment bank, where he focused on the mining sector.

Prior to working as a securities analyst Maurice worked for six years with Anglo American in their Platinum and Coal operations based in both the Johannesburg and London offices.

## Board Committees continued

### Audit Committee

**JOHAN HOLTZHAUSEN**  
Chair

**JOHN MCGLOIN**

**JOHN KELLY**

#### MEETING ATTENDANCE

The Committee shall meet at least every quarter.

Meetings were held on:

March 11, 2020

May 6, 2020

August 10, 2020

November 10, 2020

**Attendance of members was 92%**

#### PURPOSE AND RESPONSIBILITIES

The Audit Committee of Caledonia assumes a role of an open avenue of communication between Caledonia's management, the independent auditors and the Board.

The Committee is responsible in assisting the Board in:

- the oversight of the effectiveness of the Company's financial, operating, compliance, risk management controls;
- the oversight of the effectiveness of the internal auditors and the independence and effectiveness of the external auditors; and
- monitoring the integrity of the Company's financial statements and other reports.

#### VALUE CONTRIBUTION

- Discussion with BDO partner on annual financial results and audit findings.
- BDO have been reappointed as the Company's auditor.
- Review of the quarterly consolidated financial statements, annual audited consolidated financial statements and MD&A and giving recommendation to the Board for approval.
- Delegating approval and filing of the annual form F-20.
- Evaluating comparison of budget vs actual performance quarterly and annually.
- Evaluating the solvency and liquidity of Caledonia.
- Evaluating the going concern of Caledonia.
- Presenting the Risk Committee updates on risk and mitigation.
- Internal controls addressed.

### Corporate Governance Committee

**JOHN KELLY**  
Chair

**LEIGH WILSON**

**JOHN MCGLOIN**

**GERALDA WILDSCHUTT**  
from 2021

#### MEETING ATTENDANCE

The Committee shall meet, at the discretion of the Chairperson or a majority of the members, as circumstances dictate but at least once a year.

Meeting was held on November 9, 2020

**Attendance of members was 100%**

#### PURPOSE AND RESPONSIBILITIES

The purpose and responsibilities of the Committee is to discharge the Board's responsibilities relating to:

- exercising oversight with respect to the corporate governance of the Board;
- reviewing and reporting to the Board on matters of corporate governance and developing and recommending to the Board corporate governance principles applicable to the Company; and
- leading the Board and its committees in their annual assessments of their performance, including their supervisory oversight functions.

#### VALUE CONTRIBUTION

- Overseeing activities of the Board and its committees.
- Ensuring Board resolutions had been sustainably adhered to.
- Maintaining of internal governance documents, including policies and charters.
- Recommending that the Company follows the QCA Corporate Governance Code.
- Ensuring appropriate interface between the internal auditor and Board committees.





## Board Committees continued

### Compensation Committee

**JOHN KELLY**  
Chair

**LEIGH WILSON**

**JOHAN HOLTZHAUSEN**

#### MEETING ATTENDANCE

The Committee shall meet, at the discretion of the Chairperson or a majority of the members, as circumstances dictate but at least once a year.

Meetings were held on:  
June 18, 2020  
November 9, 2020

Resolutions in writing were passed on:  
January 9, 2020  
September 1, 2020

**Attendance of members was 100%**

#### PURPOSE AND RESPONSIBILITIES

The purpose and responsibilities of the Committee are to discharge the Board's responsibilities relating to:

- establishment of executive compensation policies and programs;
- establishment review and approval of corporate goals and executive compensation;
- ratification of incentive compensation plans by the Board;
- review of director compensation;
- continuous disclosure reporting; and
- other delegated duties or responsibilities by the Board.

#### VALUE CONTRIBUTION

- Overseeing the performance of management.
- Ensuring compensation to directors, executive management and employees are reasonable and fair.
- Reviewed the Company's disclosure requirements for compensation and ensure it is satisfactory.
- Analysis performed of the Company's compensation and structure and identifying where adjustments must be done to be more consistent with peers and in order to retain executives.
- Granted LTIPs to senior Blanket employees, e.g., mine captains, engineers and senior clerical staff, as well as the rest of the Caledonia group staff in Johannesburg, Jersey and the UK in order to reward and incentivize other staff at Blanket and to align other Caledonia group staff compensation.

### Nomination Committee

**LEIGH WILSON**  
Chair

**JOHN MCGLOIN**

**JOHAN HOLTZHAUSEN**

**NICK CLARKE**

**JOHN KELLY**

**GERALDA WILDSCHUTT**  
from 2021

#### MEETING ATTENDANCE

Meetings of the Committee will be held at least annually or at the invitation of the chairperson of the Committee, chairperson of the Board, Chief Executive Officer or a Committee member.

Meeting was held on November 9, 2020

**Attendance of members was 100%**

#### PURPOSE AND RESPONSIBILITIES

The purpose of the Committee is to seek and nominate qualified candidates for election or appointment to the Board and Board committees.

The responsibilities of the Committee are:

- identify and recommend a pool of potential director candidates for consideration in the event of a vacancy on the Board including nominees recommended by shareholders;
- recommending to the Board a suitable candidate for appointment as the Company Secretary when necessary to do so;
- screening of director candidates as outlined in the nomination and appointment and selection guidance; and
- ensure a proper succession plan is in place, in such a manner as the Committee deems appropriate to fulfil its purposes.

#### VALUE CONTRIBUTION

- No changes to the Board and/or Board Committees took place during the year.
- Reappointment of chairman of Board for the 2020 financial year was recommended.
- Consideration of emergency CEO succession plan was considered.
- Identifying that more diversity must be implemented within the Board and its committees and by recommending the appointment of a female member with particular experience in the field of social outreach.

## Board Committees continued

### Strategic Planning Committee

<b>LEIGH WILSON</b> Chair	<b>DANA ROETS</b>	<b>JOHAN HOLTZHAUSEN</b>	<b>JOHN MCGLOIN</b>
	<b>JOHN KELLY</b>	<b>MARK LEARMONTH</b>	<b>MAURICE MASON</b>
	<b>NICK CLARKE</b>	<b>STEVE CURTIS</b>	<b>GERALDA WILDSCHUTT</b> from 2021

#### MEETING ATTENDANCE

The Committee shall meet as often as it deems necessary in order to perform its role.

Meeting held during 2020 were combined with the Technical Committee's meetings or the Committee's key responsibilities during the year were discharged by the Board without awaiting recommendations from the Committee.

#### PURPOSE AND RESPONSIBILITIES

The purpose of the Committee is to assist the Board in carrying out its responsibilities relating to short and long-term planning for the Company.

The responsibilities of the Committee are to:

- identify and recommend to the Board strategic initiatives that further the Company's goals and objectives;
- build, approve and provide advice to management with respect to integration of the Company's current and future operations;
- approve the annual budget and recommend it to the Board for approval;
- review and recommend to the Board certain strategic decisions;

- provide assistance to the Board to address its responsibility to the shareholders with oversight of strategic planning and financing new strategic initiatives;
- review, analyse, monitor and recommend to the Board long-term business objectives and strategic plans developed by management;
- provide advice to management in the development of strategic plans;
- review and analyse competitive information and management's view of the Company's competitive position;
- prepare a vision statement and the Company's goals and recommend to the Board for approval;
- oversee the implementation of the strategic plan and related initiatives;
- identify and evaluate the Company's development opportunities;
- develop criteria for use in evaluating potential strategic investments;
- assist management to identify critical strategic issues facing the organisation; and
- assess potential mergers and acquisitions.

#### VALUE CONTRIBUTION

The Committees' responsibilities were discharged by the Board for 2020.

### Technical Committee

<b>NICK CLARKE</b> Chair	<b>DANA ROETS</b>	<b>JOHN MCGLOIN</b>
	<b>STEVE CURTIS</b>	<b>JOHAN HOLTZHAUSEN</b>

#### MEETING ATTENDANCE

The Committee shall meet at the discretion of the chairperson or a majority of the members, as circumstances dictate but at least twice a year.

Meetings were held on:

January 29, 2020  
April 28, 2020  
July 28, 2020  
April 28, 2020  
October 20, 2020  
October 27, 2020

**Attendance of members was 93%**

#### PURPOSE AND RESPONSIBILITIES

The purpose of the Committee is to assist the Board with its duties and responsibilities in evaluating, overseeing the exploration and development of, and reporting on the Company's projects.

The responsibilities of the Committee are:

- to stay abreast of progress of engineering studies, exploration programs, and other technical activities and report progress to the Board;
- to assist the executive officers in fulfilling their responsibility for oversight of the development of the Company's exploration and development projects;

- to review and approve geological, drilling, mine engineering and process engineering plans, schedules the Committee deems relevant and planned budgets;
- to review and approve any release of material containing technical information for compliance with the National Instrument 43-101 and other applicable industry standards;
- to design, establish and monitor controls and other procedures (which may include procedures currently used by the Company) that are designed to ensure that development of exploration and development projects are on schedule and within budget;
- to discuss with the executive officers and Board all relevant information with respect to the Committee's proceedings; and
- other responsibilities as the executive officers or Board may assign to it from time to time.

#### VALUE CONTRIBUTION

- Reviewing safety and accident statistics.
- Evaluating environmental performance.
- Evaluation of development (run of mine, capital, drilling and exploration and Central Shaft).
- Monitoring of production metrics.
- Evaluating COVID-19 controls and procedures in place at the mine.
- Evaluating current and new projects and their development aspects.

## Board Committees continued

### Disclosure Committee

**CAMILLA HORSFALL**  
Chair

**ADAM CHESTER**  
**DANA ROETS**

**MARK LEARMONTH**  
**STEVE CURTIS**

#### MEETING ATTENDANCE

The Committee shall meet at the discretion of the chairperson or a majority of the members, as circumstances dictate.

No meetings were held during the year.

#### PURPOSE AND RESPONSIBILITIES

The purpose of the Committee is to assist the Board in the identification and disclosure of material information about the Company and the accuracy, completeness and timeliness of the Company's financial reports.

The responsibilities of the Committee are to:

- consider if the Company's financial conditions change materially and the effect of this change on investors and any required disclosure;
- review in advance of public release (i) any earnings guidance, and (ii) any news release containing financial information that has not previously been released;
- establish procedures to control confidential information;

- determine when matters justify or require (under applicable laws) public disclosure and determine what information should be disclosed and, if there is uncertainty as to whether certain information is material or required to be disclosed, the Committee should consult with counsel and, in appropriate circumstances, with its nominated advisor under the AIM Rules and any applicable regulatory authority;
- review significant contracts planned to be signed to determine whether a confidentiality agreement is required;
- approve press releases of the Company before distribution; and
- circulate press releases to non-executive directors for their information prior to distribution and, to the extent that any concerns are raised or comments made, take those into account before distribution.

#### VALUE CONTRIBUTION

No formal meetings of the Committee were required during 2020.

### ESG Committee

**GERALDA WILDSCHUTT**  
Chair

**JOHN KELLY**  
**DANA ROETS**

**STEVE CURITS**  
**CAMILLA HORSFALL**

**ADAM CHESTER**

#### MEETING ATTENDANCE

No meetings were held during 2020. The ESG Committee was established in the second quarter of 2021.

#### PURPOSE AND RESPONSIBILITIES

The purpose of the Committee is primarily to assist the Board with its duties and responsibilities in evaluating and overseeing the pursuance of the Company's goals in the areas of ESG, and reporting on the Company's progress in these areas.

The Committee is responsible for oversight of the following:

- maintaining health, safety and wellbeing of the group's employees, and the adherence to the highest quality standards and ensuring that safety measures are in place to mitigate risk in this area;
- focusing on the importance of the group's operations on the lives of its employees and ensuring the group's commitment to making a positive impact on these individual;

- caring for the environment. The prevention, mitigation and control of the impacts of the Group's activities on the environment, recognising that, as a business, the group has a responsibility to the health of the environment;
- unlocking value for local communities aiming to drive social value in the communities in which the group operates; and
- governance and reporting matters in relation to its areas of responsibility under the terms of reference listed in its charter.

The Committee shall also have such other responsibilities as the executive officers or Board may assign to it from time to time.

#### VALUE CONTRIBUTION

None during 2020 as the Committee was constituted in 2021.



## Board Committees continued

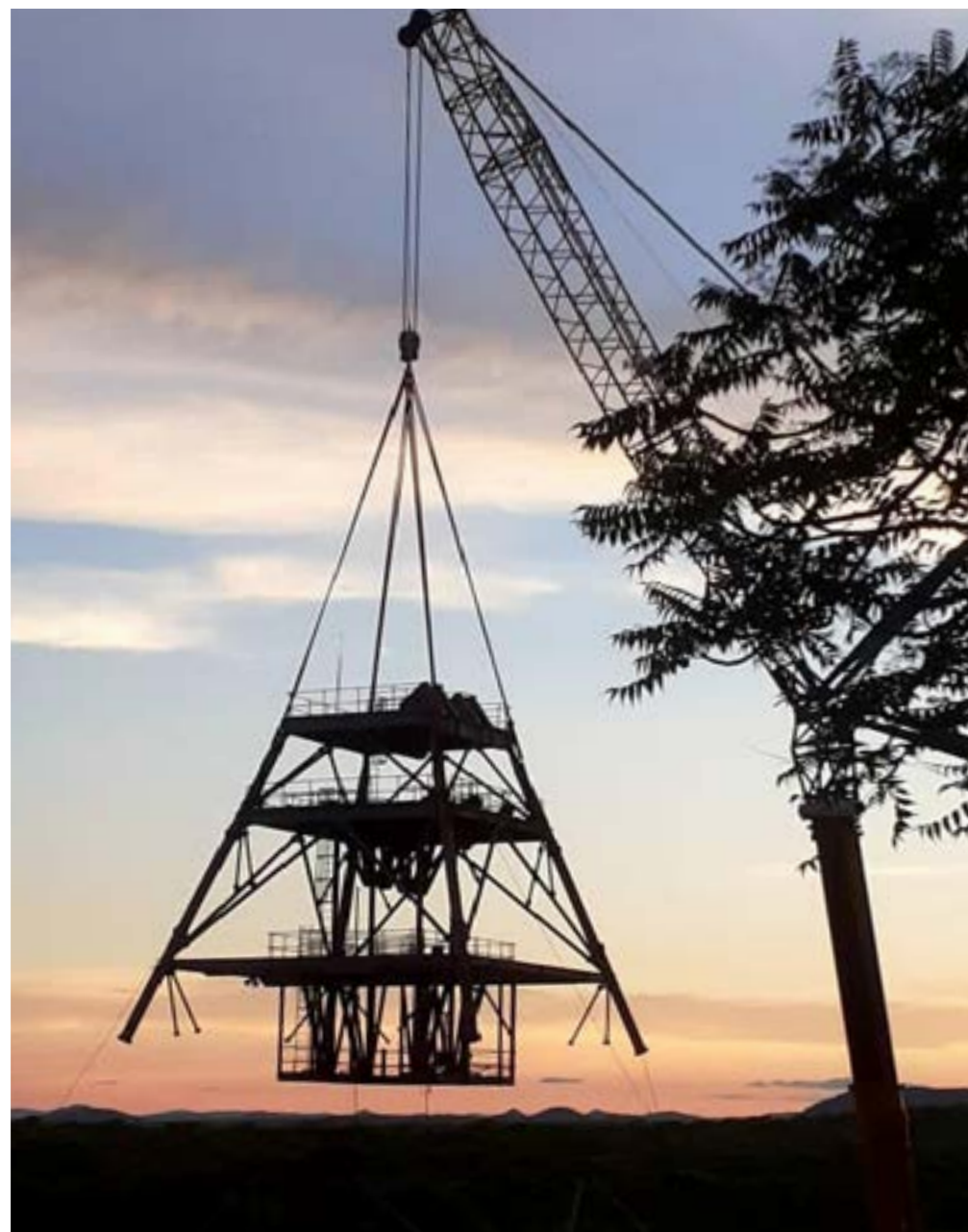
### Share Ownership

The direct and indirect shareholdings of the Company's directors, officers and senior management as at December 31, 2020 were as follows:

	Number of shares	Percentage share holding
L Wilson	40,000	0.33%
S Curtis	164,882	1.36%
M Learmonth	139,775	1.15%
J Kelly	16,330	0.13%
J Holtzhausen	19,825	0.16%
A Chester	25,553	0.21%
J McGloin	Nil	0%
N Clarke	Nil	0%
C Mangezi	Nil	0%
D Roets	Nil	0%
M Mason	41,517	0.34%
C Horsfall	Nil	0%
J Hobkirk	Nil	0%
<b>Total</b>	<b>477,882</b>	<b>3.94%</b>

All of the shares held above are voting shares and do not have any voting or other rights different to the other outstanding shares of the Company.

The information as to shares beneficially owned or controlled or directed, not being within the knowledge of the Company, has been furnished by the respective directors, officers and senior management.





# Risk identification and mitigation

We face significant risks due to the jurisdictions in which we operate and the nature of mining, exploration and development. Proper risk management controls and strategies must be in place to mitigate this unpredictable and ever-changing environment.

Risk is inherent in the conduct of our business. Our aim is to achieve best practice in identifying and controlling the significant risks to which the group is exposed. We aim to achieve this by identifying our priority risks and by incorporating appropriate risk management strategies. This includes taking steps to reduce risk and contingency planning. We periodically review our risk profile to account for changes in our operations and environment to enable us to make well-informed decisions and add value for our stakeholders.

## OUR RISK MANAGEMENT PROCESS

The risk management process of Caledonia sets a risk governance culture throughout the group to ensure that all significant risks are properly identified, managed, mitigated and reported. The risk management sub-committee of the Audit Committee is responsible for identifying and reporting of risks that may have an impact on Caledonia.

## GROUP RISK APPETITE AND TOLERANCE

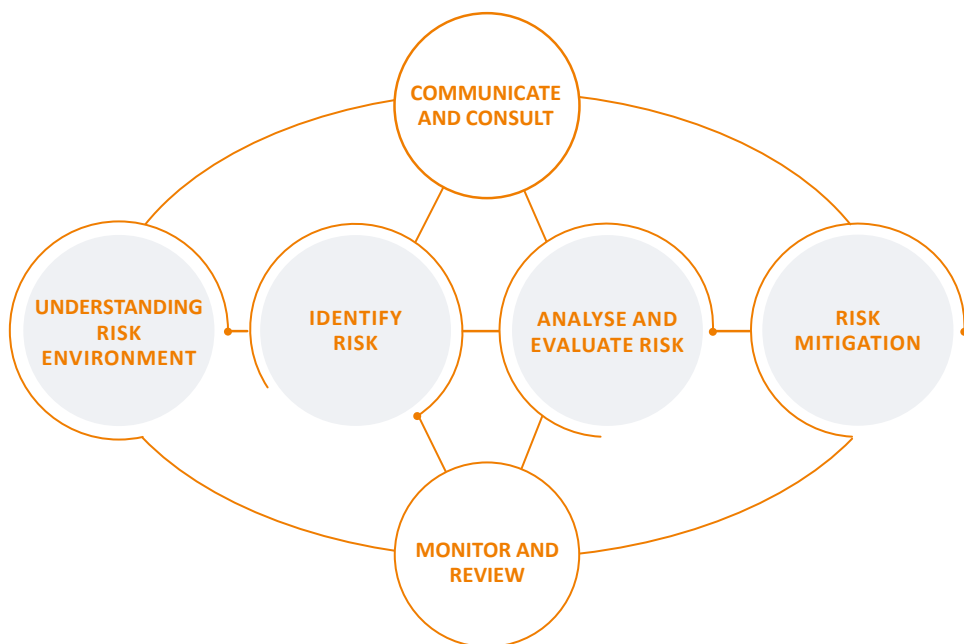
In order for us to act in the best interest of our stakeholders we ensure that fair and robust management activities are in place within the risk appetite and risk tolerance levels of the group.

Caledonia's risk appetite can be defined as the type of risk we are willing to bear in order to meet our strategic plans or objectives, before action is deemed necessary to reduce the risk. In determining our risk appetite, we take into consideration earnings growth, production growth, cashflow, net profit attributable to shareholders, environmental impact, stakeholder relationship sustainability, safety, and governance.

Caledonia's risk tolerance is defined as the level of uncertainty we are prepared to tolerate and deal with. Risk tolerance is aligned with the Company's goals and strategy and our overall risk appetite.



## Risk identification and mitigation continued



### INHERENT RISKS

The most significant emerging inherent risk identified by Caledonia during 2020 was the COVID-19 pandemic and the impact that it might have on our business.

Due to the lack of certainty around the time and extent of the virus there was a risk that lack of supplies and consumables, employee absence, lack of funding, lack of local currency purchasing power, failure by contractors to perform and travel restrictions could arise which might affect production and development.

Caledonia is actively managing the risk and has put in place the following measures to mitigate the risk as far as possible to prevent a significant impact on the financial conditions and operations:

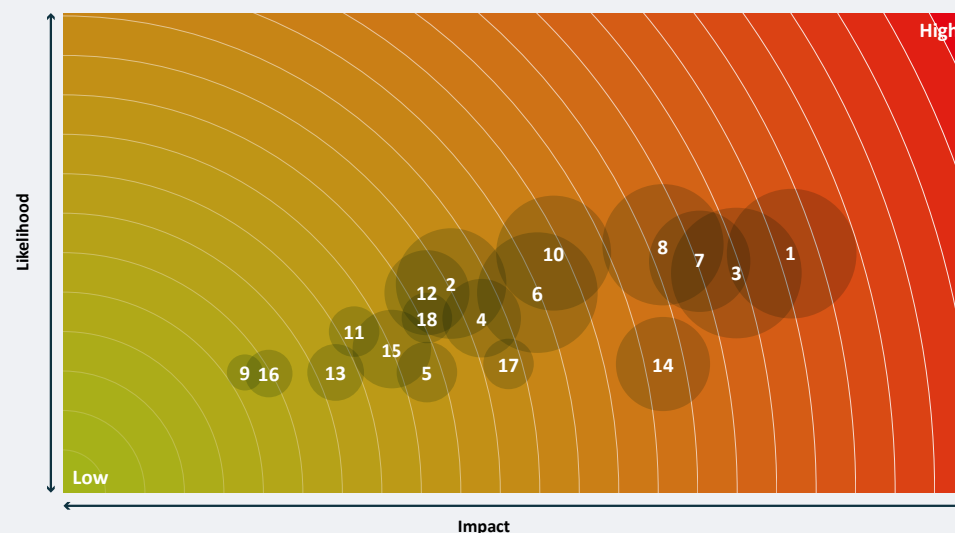
- introducing access control measures at Blanket to protect workers and their families.
- implementing suitable business continuity planning, including stockpiling consumables;

- sourcing extra medical equipment at the mine;
- sourcing extra protective clothing and equipment at the mine;
- contacting suppliers to understand and mitigate risks to supply chain;
- reviewing contracts to understand effects of non-performance and legal rights;
- supplementing insurance cover if necessary;
- making provisions for absent employees;
- making donations to stakeholders in Zimbabwe to assist in curbing the effects of COVID-19; and
- stopping all non-essential travel.

At the date of this IR management is of the opinion that the effects of COVID-19 have been considered in making significant judgements in identifying and mitigating risk.

### OUR TOP INHERENT RISKS:

The following heat map shows the residual rating for the top significant risks identified within the Caledonia group for the year. The risks are plotted against the likelihood and impact thereof. A residual risk refers to the remaining risk after all mitigation measures are in place and have been followed.



- |  |  |
|--|--|
| 1. Current production                                      | 12. Succession planning – Board and executive management                                     |
| 2. Future production                                       | 13. Laws and regulations – mineral rights  |
| 3. Mine development  | 14. Laws and regulations – securities regulations and local laws                             |
| 4. Production cost   | 15. Tax – compliance with tax legislation and changes to tax regulations                     |
| 5. Gold price  | 16. Rehabilitation provision – completeness and accuracy of rehabilitation provision         |
| 6. Safety – on/off-mine safety                             | 17. Information technology: IT Infrastructure, application and organisation capability risks |
| 7. Power supply – power outages recorded daily             | 18. Environmental, social and governance risk  |
| 8. Country risk – liquidity risk                           |  |
| 9. Country risk – Illegal mining                           |  |
| 10. Country risk - consumable and capital equipment supply |  |
| 11. Country risk – inflation risk (ZWL\$ payments)         |  |

## Risk identification and mitigation continued

Inherent risk	Impact on value	Mitigating controls	Capitals
<b>1. Current production</b>	→ Unanticipated shortfalls between actual and budget gold production due to fluctuations in grade, tonnes mined and metallurgical recoveries.	→ On-site expertise of senior management to continually monitor, address and report production issues.	Financial Manufactured
<b>2. Future production</b>	→ A shortfall in planned future production as detailed in the Life of Mine Plan ("LOMP").	→ Technical Committee meets to analyse, improve and approve the LOMP. → Board typically approves annual LOMP at November budget meeting.	Financial Manufactured
<b>3. Mine development</b>	→ Adverse variances in the cost and timing of implementing the Investment Plan and other development projects at Blanket.	→ Monthly capital expenditure reports evaluating current and forecast spending.	Financial Manufactured
<b>4. Production cost</b>	→ Adverse variances in expected price per ounce.	→ Focus on rising cost, report and develop strategies to address.	Financial Manufactured
<b>5. Gold price</b>	→ Adverse effect on cash generation due to a lower gold price.	→ Quarterly cash forecasts detailing cash expectations and evaluating sensitivity to changes in key variables available. → Consideration of possible hedging strategies.	Financial Manufactured
<b>6. Safety – on/off-mine safety</b>	→ Conflict between achieving productivity and maintaining a safe working environment.	→ On-mine safety training and enforcement of best practices. → Comprehensive business travel insurance.	Human Manufactured
<b>7. Power supply – power outages recorded daily</b>	→ Adverse effect of unreliable, low voltage or limited power supply on production, development and safety.	→ Genset capacity installed to run the current mine activities and Central Shaft. → Ring feed installation to improve options of electricity sourcing from grid-power. → Consideration of alternative power sources (solar).	Financial Manufactured
<b>8. Country risk – liquidity risk</b>	→ Shortage of foreign exchange or short-term credit in Zimbabwe to purchase imports (consumables and items required for development), to ensure sufficient cash to fund dividend and capital requirements.	→ Regular dialogue with RBZ and other Zimbabwean government departments.	Financial Manufactured Social and Relationship
<b>9. Country risk – illegal mining</b>	→ Theft and/or damage of equipment and mineral resources.	→ Security at mine and satellite projects to prevent illegal mining and theft.	Financial Manufactured Social and Relationship
<b>10. Country risk – consumable and capital equipment supply</b>	→ Stoppages in the supply of critical consumables and capital equipment.	→ Tender committee for single purchases above ZAR2.5m to ensure appropriate quality, cost or alternative buying source.	Financial Manufactured Social and Relationship
<b>11. Country risk – inflation risk (ZWL\$ payments)</b>	→ ZWL\$ rate charged by suppliers not at parity with USD prices converted at the interbank rate, increasing the in-country costs of operation.	→ Zimbabwean government liaison to find solution. → Management to develop a contingency plan to cater for the orderly cessation of mining activities if Blanket becomes unprofitable.	Financial Manufactured

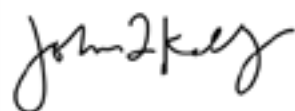
## Risk identification and mitigation continued

Inherent risk	Impact on value	Mitigating controls	Capitals
<b>12. Succession planning – Board and executive management</b>	→ Loss of senior and/or executive management without a succession plan.	→ Consideration of executive management personnel in critical business positions and director succession. → Nomination Committee tasked with ultimate responsibility for executive management and Board appointments.	Human
<b>13. Laws and regulations – mineral rights</b>	→ Loss of mining (or other) rights due to legal non-compliance etc.	→ Yearly review of mineral right requirements (and other permits required to maintain operations) to ensure that laws and regulations are adhered to.	Financial Manufactured Social and Relationship
<b>14. Laws and regulations – securities regulations and local laws</b>	→ Non-compliance with laws and regulations of our current listings or trading facilities and/or other applicable local laws relevant to our group companies.	→ Ongoing review of listing and local requirements to ensure compliance and provision of updates and advice by external counsel and other advisors.	Financial Manufactured Social and Relationship
<b>15. Tax – compliance with tax legislation and changes to tax regulations</b>	→ Non-compliance with income tax legislation, transfer pricing estimates or disclosure requirements. Changes to regulations could have unexpected financial consequences.	→ Yearly review of income tax and transfer pricing estimates to ensure compliance with tax legislation. → Regular external training.	Financial Social and Relationship
<b>16. Rehabilitation provision – completeness and accuracy of rehabilitation provision</b>	→ Incorrect footprint or cost estimation on rehabilitation.	→ Yearly in-house review of rehabilitation cost and footprint estimation. → Three yearly external expert review of footprint and cost estimation.	Financial Natural
<b>17. Information technology: IT infrastructure, application and organization capability risks</b>	→ Inadequate controls over governance frameworks, system frameworks, system management, security and communication technologies.	→ Appropriate IT governance structures, security and documented system changes. → Fit for purpose software programmes. → Appropriate firewalls, routers and network switches installed.	Financial Manufactured Intellectual
<b>18. Environmental, social and governance risk</b>	→ Actual and perceived risk of environmental negligence and ignorance of social and governance responsibilities.	→ Managing environmental matters as a result of mining activities. → Incorporating structures to improve the social wellbeing of employees and the community surrounding our mining activities. → Implementing appropriate governance structures throughout the group. → Regular reporting of CSR activities and ESG credentials.	Natural Social and Relationship



# Compensation review

“The broadening of the incentive programme, which resulted in awards being made under the equity incentive plan to over 60 further members of staff in 2020 represents a welcome step in motivating employees, and not just the executives, to view themselves as valued stakeholders in the business.”



**John Kelly**

Independent Non-Executive Director

It is my pleasure to present on behalf of the Compensation Committee the compensation review for 2020 in this inaugural IR for Caledonia. The report below is in two sections: executive compensation policy and governance; and compensation paid to directors and senior management (which expression includes the top five earners who are termed under applicable regulations “Named Executive Officers” or “NEOs”) during the year, with historical amounts also provided by way of comparison.

In terms of the work done by the Committee during the year, it held two meetings and considered and passed written resolutions on two further occasions relating to the application of the 2015 Omnibus Equity Incentive Compensation Plan (the “Plan”) which, I am pleased to report, extended participation in the Plan to heads of department and senior employees at the mine and other employees across the group. The broadening of the incentive programme, which resulted in awards being made under the equity incentive plan to over 60 further members of staff in 2020, represents a welcome step in motivating employees, and not just the executives, to view themselves as valued stakeholders in the business.

## Compensation review continued

At its meeting in June, the Committee reported that Deloitte had been retained to conduct a bi-annual review and benchmarking study of the Company's executive compensation and non-executive director pay. Deloitte's review included an analysis of internal relative compensation, comparison of executive compensation indexed to cost of living in the executives' respective domiciles, and benchmarking against primary peer group comparators and reference group comparators as well as what compensation mix between base compensation and variable pay is appropriate for a business like Caledonia going forward.

The Committee's meeting in November considered Deloitte's report and resolved to apply a moderate increase to executives' base compensation, to ensure retention of the leadership team and continue to compensate at a level that is required for the strategic roles that the executives occupy. These base compensation pay levels will be revisited from time to time to ensure competitiveness as the business grows and the scale, breadth and depth of the organisation changes.

The report highlighted the disparity between Caledonia's historic on-target total compensation mix (i.e. the relative composition of total compensation between base compensation and variable incentive/bonus pay) and that of its comparators and the Committee resolved to immediately adjust the reward strategy and current short term incentive bonus to target a higher variable incentive/bonus pay as a percentage of base salary to be more market aligned. Extensive consideration was also given to the role of compensation as a tool for performance and retention in the future within the executive employee base as the Company continues to deliver against its strategic goals and the concomitant reward strategy needed in order to achieve these goals.

In light of the Company's operating performance, financial results, increased dividends and cash flows and relative stock outperformance achieved in a challenging operating environment, the Committee felt it was justified to reward the executives in line with the market related reward strategy outlined and thus increased the potential short term incentive bonus (see STIP below) from 10% to 50% of base salary, with such increase to be effective as of 2020, with the bonus payable at the end of 2020. Variable pay and the associated amounts will continue to be reviewed by the Committee in line with performance on a yearly basis.

The Committee reviews the compensation paid to directors annually. Based on compensation paid to directors at other companies comparable to the Company and on the additional risks and responsibilities assumed by the directors it recommends their compensation. There had been no increase in the compensation paid to non-executive directors since 2017 and therefore, and in order to align their fees more closely with the Company's peer group, at its meeting in November the Committee resolved to increase non-executive director fees to \$90,000 per annum with effect from the last quarter.

The Committee will continue to review compensation in light of applicable governance requirements, best practice and the needs of the business.

**John Kelly**  
Independent Non-Executive Director



# Executive compensation policy

“The Board believes that executive compensation should be aligned with shareholders’ interests in (i) achieving annual and long-term objectives, (ii) maximizing cash flow to support self-funded growth as well as sustainable and growing dividends, and (iii) achieving capital appreciation through increase in enterprise value.”

Accordingly, it is the Board’s policy to establish an executive compensation framework that:

- Rewards management for performance against mutually agreed objectives that are concrete and measurable and also reflects subjective assessment of other agreed strategic or tactical objectives.
- Strikes an appropriate balance between base cash compensation and annual cash bonuses that are “at-risk” and tied to annual performance of the Company and the individual.
- Provides the opportunity to accumulate equity based on operating performance and stock price to create a long term commitment to achieving growth in enterprise value.
- Reflects market value of comparable roles among relevant peer group.

## Base Compensation

The Board believes that base cash compensation of its executives should remain relatively stable over time and that the Short Term Incentive Plan (“STIP”) is the best mechanism to recognise variable performance on an annual basis. Base salaries are set based on a review of similar executive roles and responsibilities at comparator companies and in consideration of larger companies that may attempt to recruit the Company’s executives. The Board will consider adjustments in base salary from time to time in consideration of inflation or exchange rates as may be appropriate for any of the respective NEOs.

## STIP

Under the STIP, certain NEOs are eligible to receive annual performance-based cash bonuses currently targeted at 50% of each NEO’s base cash compensation. The target percentage is a guideline, not a formula, and is paid at the discretion of the Board based on an evaluation of mutually agreed annual goals for the respective NEOs. The STIP goals are specific to the respective NEOs and encompass a range of criteria such as annual operating goals and financial performance, safety metrics, and near term tactical or strategic activities. Depending on

performance relative to the goals, an NEO may receive a cash bonus equal to, greater than, or less than their respective target.

## LTIP

The Company’s shareholders approved the Omnibus Equity Incentive Compensation Plan (“Plan”) at the Annual General Meeting on May 14, 2015. The Plan was designed to give the Board broad latitude to design equity-based long term compensation incentives to align performance with shareholder interests. The Compensation Committee has granted LTIP Awards to NEOs pursuant to the terms and conditions of the Plan.

Currently, NEOs’ LTIP awards are in the form of: Restricted Share Units (“RSUs”) – the number of units that ultimately vest is not subject to any adjustment based on performance, but only on employment as of the vesting date, with only one NEO currently holding RSUs.

Performance Units (“PUs”) – the number of units that ultimately vest is a target number of PUs subject to adjustment up or down based on projected versus actual annual gold production in the year preceding vesting, subject to a maximum of 200% and minimum of 70% depending on gold ounces produced by the mine. The target numbers are currently an amount representing 20% of annual salary for each of the NEOs and 30% for the CEO.

Awards of PUs are made each year and vesting of PUs and RSUs for executives and certain other senior management of staff occurs on the third anniversary of grant.

## GOVERNANCE APPLIED TO COMPENSATION

The Board established a Compensation Committee to preside over the execution of its compensation policy. The Compensation Committee works with external consultants to ensure that the Company’s executive compensation is consistent with international best practice in terms of structure and quantum. The Board has determined that the most effective means to achieve its compensation objectives is through competitive base salaries combined with STIP and LTIP awards short and long term incentive plans.

The compensation of the directors is decided by the Board unless the Board specifically requests approval of compensation from the shareholders. If the issuance of compensation to the directors is decided by the Board, a quorum is the majority of directors in office. The articles of association do not require that the compensation of any director be approved by disinterested directors.

## Executive compensation policy continued

### COMPENSATION OUTCOMES

#### Executive directors and other NEOs' compensation

Name and principal position	Year	Salary	Share based awards (\$)	Option based awards	Nonequity incentive plan compensation (\$)		Pension value (\$)	All other compensation <sup>2</sup> (\$)	Total compensation (\$)
					Annual incentive plans <sup>1</sup>	Long term incentive plans			
Steven Curtis Chief Executive Officer	2020	470,478	380,477	—	—	—	—	235,239	1,086,194
	2019	459,900	200,391	—	—	—	—	70,000	730,291
	2018	450,000	80,562	—	—	—	—	45,000	575,562
Dana Roets Chief Operating Officer	2020	445,082	239,641	—	—	—	—	222,541	907,263
	2019	442,602	128,217	—	—	—	—	65,000	662,292
	2018	418,182	52,678	—	—	—	—	41,818	512,678
Mark Learmonth Chief Financial Officer	2020	436,373	231,660	—	—	—	—	218,187	886,220
	2019	433,942	163,350	—	—	—	—	65,000	662,292
	2018	410,000	43,267	—	—	—	—	41,000	494,267
Caxton Mangezi General Manager and Director of the Blanket Mine	2020	374,817	294,512	—	—	—	—	187,409	856,738
	2019	450,377	107,050	—	—	—	—	63,771	621,198
	2018	358,503	43,379	—	—	—	—	124,518	526,400
Adam Chester General Counsel, Company Secretary and Head of Risk and Compliance	2020	286,952	133,840	—	—	—	—	38,510	459,302
	2019	281,744	73,046	—	—	—	—	29,773	384,563
	2018	273,872	14,936	—	—	—	—	32,768	321,576

1) LTIPs represent the non-cash expense amount as determined by the method described in note 10 of the Consolidated Financial Statements and are considered to be share based awards. Note 30.1 (a) of the Consolidated Financial Statements indicates the amounts that settled during 2020.

2) Bonuses paid to directors and key management (Refer to note 36 of the Consolidated Financial Statements).

The outstanding RSUs and PUs as at December 31, 2020 were as follows for executive directors, officers and key management:

Key management member	Vesting date	RSUs	PU's
Steve Curtis	2022/01/11	—	44,309
	2023/01/11	—	16,547
Dana Roets	2022/01/11	—	27,898
	2023/01/11	—	10,436
Mark Learmonth	2022/01/11	—	28,287
	2023/01/11	—	10,231
Caxton Mangezi <sup>(1)</sup>	2022/01/11	—	23,533
	2023/01/11	17,971	8,788
Adam Chester <sup>(2)</sup>	2022/01/11	—	13,692
	2023/01/11	—	7,103
<b>Total</b>		<b>17,971</b>	<b>210,473</b>

1) 386 RSUs were reinvested in the year.

2) 5,052 RSUs and 17,774 PUs vested on 2020/01/19 at a value of \$216,013.

For further detail on the RSUs and PUs refer to note 30.1 (a) of the Consolidated Financial Statements.

Caledonia does not have a pension, retirement or similar benefits scheme for directors.

#### Non-executive directors' compensation

Non-executive director fees were paid in equal quarterly instalments in arrears during 2020. From January 1, 2020 to December 31, 2020 the approved non-executive director fees amounted to \$63,750 p.a. payable to non-executive directors other than Mr. Nick Clarke who received \$67,500 for his services in 2020. All directors fees were increased to \$90,000 per annum from the last quarter of 2020.



# Additional information

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# Mineral resources and reserves statements

Caledonia commissioned Minxcon (Pty) Ltd (“Minxcon”) to compile a National Instrument 43-101 (“NI 43-101”) technical report on behalf of Blanket and the published report states mineral resources and reserves as at January 1, 2020.

The report was published on SEDAR and filed with the U.S. Securities and Exchange Commission (“SEC”) on May 26, 2021. The gold price used for the mineral reserve estimate is a real term forecast taken as the median of various bank and analyst forecasts. The average gold price over the life of mine is USD1,660/oz., which is lower than the spot price at the effective date. The change in the gold price resulted in no material changes.

Caledonia contributed to the technical work required and presented in the report. The qualified person responsible for the mineral reserves in the report is Mr Daan van Heerden, (B Eng (Min.), MCom (Bus. Admin.), MMC, Pr.Eng., FSAIMM, AMMSA), Director, Minxcon. The qualified person responsible for the mineral resources is Mr Uwe Engelmann, (BSc (Zoo. & Bot.), BSc Hons (Geol.), Pr.Sci.Nat., MGSSA), Director, Minxcon.

The following table reflects the mineral resources statement for Blanket as at January 1, 2020. Mineral resources are inclusive of mineral reserves. The mineral reserves have been declared separately, as determined by the mineral reserve life of mine plan.

## Mineral Resource Statement as at January 1, 2020

Mineral Resource Category	Tonnes kt	Grade Au g/t	Gold Content	
			kg	ounces
Measured	2,734	3.32	9,079	291,911
Indicated	5,794	3.27	18,970	609,886
<b>Total Measured and Indicated</b>	<b>8,528</b>	<b>3.29</b>	<b>28,049</b>	<b>901,797</b>
Inferred	8,490	3.17	26,941	866,160

### Notes:

1. Cut-off applied 1.5 g/t.
2. No geological loss applied for measured, 5% for indicated and inferred.
3. Commodity price utilised: USD1,600/oz.
4. Mineral resources are stated inclusive of mineral reserves.
5. Mineral resources are reported as total mineral resources and are not attributed.
6. All orebodies are depleted for mining.
7. Tonnage and grade have been rounded and this may result in minor adding discrepancies.

The measured and indicated mineral resources were converted to proven and probable mineral reserves by applying applicable mining rates and other modifying factors. The mineral reserves statement for Blanket is illustrated in the following table.

## Mineral Reserve Statement as at January 1, 2020

Mineral Reserve Classification	Stope Grade g/t	Stope Tonnes kt	Gold Content	
			kg	ounces
Proven	3.34	1,704	5,694	183,057
Probable	3.39	3,158	10,719	344,619
<b>Total</b>	<b>3.38</b>	<b>4,862</b>	<b>16,413</b>	<b>527,677</b>

### Notes:

1. Mineral reserve cut-off of 2.1 g/t applied.
2. The gold price that has been utilised in the economic analysis to convert diluted measured and indicated mineral resources in the life of mine plan to mineral reserves is an average real term price of USD1,660/oz over the life of mine.
3. Mineral reserves are reported as total mineral reserves and are not attributed.
4. Tonnage and grade have been rounded and this may result in minor adding discrepancies.

Refer to the technical report entitled “Caledonia Mining Corporation Plc NI 43-101 Technical Report on the Blanket Gold Mine, Zimbabwe” dated May 17, 2021 prepared by Minxcon (Pty) Ltd and filed by the Company on SEDAR on May 26, 2021 for resources and reserves and planned production as stated in this report. The report can also be found at [www.caledoniamining.com/investors/technical-reports/](http://www.caledoniamining.com/investors/technical-reports/). Mr. Dana Roets (B Eng (Min.), MBA, Pr.Eng., FSAIMM, AMMSA), Chief Operating Officer, is the Company’s qualified person as defined by Canada’s National Instrument 43-101 and has approved any scientific or technical information contained in this document.



# Corporate directory

## CORPORATE OFFICES

### Jersey Head and Registered Office

Caledonia Mining Corporation Plc  
B006 Millais House  
Castle Quay  
St Helier  
Jersey JE2 3NF

### South Africa

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4th Floor  
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Constantia Boulevard  
Floracliffe

### Zimbabwe

Caledonia Holdings Zimbabwe (Private) Limited  
P.O. Box CY1277  
Causeway, Harare  
Zimbabwe

## BANKER

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St Helier, Jersey

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Canada

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## REGISTRAR AND TRANSFER AGENT

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Canton  
Massachusetts 02021

## NOMINATED ADVISOR

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## MEDIA AND INVESTOR RELATIONS

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Tel: +27 31 308 0600



# Shareholders' information

## CAPITALISATION (JUNE 30, 2021)

Authorised: Unlimited

## SHARES, WARRANTS AND OPTIONS ISSUED:

Shares: 12,118,823  
Options: 28,000

## SHARE TRADING SYMBOLS

NYSE American - Symbol "CMCL"  
AIM of the London Stock Exchange plc –  
Symbol "CMCL"

## STATEMENT

Caledonia is incorporated in Jersey. The rights of the shareholders of Caledonia may be different in certain respects from the rights of shareholders of a company incorporated in the United Kingdom or other jurisdictions (e.g. Canada or the US). It should be noted that significant shareholders (which under the AIM Rules are any persons with holdings of 3% or more of Caledonia's securities) are required to notify to Caledonia their holdings as is similarly required under the United Kingdom's Disclosure Guidance and Transparency Rules which are incorporated by reference in Caledonia's articles of association. Caledonia is a non-DTR company (as defined under the AIM Rules) and so, in accordance with the notes to AIM Rule 17, shareholders are advised that statutory disclosure of significant shareholdings of Caledonia is different to that of a DTR company and therefore may not always ensure compliance with the

requirements of AIM Rule 17. Under the securities laws in Canada, an "insider" of Caledonia (which would include a shareholder who beneficially owns, controls or has direction over more than 10% of Caledonia's common shares) is required to report their holdings in accordance with the applicable regulations. There are also reporting obligations that apply to holders of Caledonia's shares under US law, in particular Schedule 13 of the Securities Exchange Act of 1934 which requires a person or group of persons who acquire more than 5% of Caledonia's shares to file a report with the SEC.

Caledonia has 12,118,823 common shares issued. At the date of this IR, directors and management own or have an interest in 423,182 common shares representing 3.49% of Caledonia's issued capital.

Allan Gray Investment Management, a South African fund manager, is the largest holder of Caledonia's securities and has disclosed to Caledonia that it holds through two of its funds, Allan Gray Africa ex-SA Equity Fund Limited and Allan Gray Africa Equity Fund Limited.

Caledonia ascertained that as at 25 August, 2017 Sales Promotion Services S.A. held an interest through various intermediaries in 938,773 common shares of the Company and was subsequently informed on November 2, 2017 that the beneficial owner of Sales Promotion Services S.A. is Heinrich Auwärter. Caledonia received notification on June 26, 2019 that Sales Promotion Services S.A.'s interest in common shares had reduced to 848,773 and on October 13, 2020 that it had reduced to 663,773.

To the knowledge of Caledonia the significant shareholders of Caledonia as at the date of this IR are:

NAME	SHARES / DEPOSITARY INTERESTS	% OF SHARE CAPITAL
Allan Gray (through two of its funds)	1,957,391	16.15%
Fremiro Investments (Private) Limited	727,266	6.00%
Sales promotion Services S.A./ Heinrich Auwärter	663,773	5.48%
Premier Miton Group Plc	399,925	3.30%

According to the above information, 19.88% of Caledonia's securities are held "not in public hands" in terms of the AIM Rules.

There are no restrictions on the transfer of Caledonia's issued shares.

## DIVIDEND POLICY

In 2020, the Company increased its quarterly dividend by 45% from 6.875 cents per share to 10 cents per share; total dividends per share paid in 2020 were 33.5 cents per share – an increase of 21.8% from 2019. In 2021, the Company increased its quarterly dividends to 11 cents per share in January 2021, 12 cents per share in April 2021 and 13 cents per share in July 2021. This represents an 30% increase from 2020.

Caledonia advises shareholders that following the re-domicile of the Company from Canada to Jersey, Channel Islands with effect from 19 March 2016, dividends paid after such date would no longer be designated "Eligible Dividends" for Canadian income tax purposes. Following the delisting of Caledonia's shares from the TSX, dividends are paid in USD and GBP.





## Shareholders' information continued

### ANNUAL GENERAL MEETING

An Annual General Meeting ("AGM") was held on May 11, 2021 at St Helier, Jersey JE2 3WF, Channel Islands.

The total number of shareholders present in person or by proxy at the AGM was 81, representing 43.97% of the Company's outstanding voting shares.

The table below shows the proxy votes received on resolutions 1(a) to 1(h), which were duly passed by a show of hands, to reappoint the eight nominees proposed for re-election as directors:

Nominee	For	Percent	Against	Percent	Abstained
Leigh Wilson	4,490,861	84.40%	829,914	15.60%	8,468
Steve Curtis	5,313,846	99.87%	6,909	0.13%	8,488
Mark Learmonth	5,168,136	97.14%	152,239	2.86%	8,868
John Kelly	5,275,981	99.16%	44,774	0.84%	8,488
Johan Holtzhausen	5,275,618	99.15%	45,157	0.85%	8,468
John McGloin	4,408,643	82.86%	912,132	17.14%	8,468
Nick Clarke	5,275,267	99.15%	45,408	0.85%	8,568
Geralda Wildschutt	5,316,600	99.90%	5,155	0.10%	7,488

Further resolutions 2 and 3 were also passed at the AGM so that:

- BDO South Africa Inc. was reappointed as the auditor of the Company for the ensuing year and the directors were authorised to fix its remuneration; and
- Messrs. Holtzhausen, Kelly and McGloin were reappointed as members of the Audit Committee.

The full text of each resolution, together with explanatory notes, are set out in the notice of AGM and management information circular dated March 29, 2021 which are available on the Company's website at [www.caledoniamining.com](http://www.caledoniamining.com).



# Disclaimer

This report does not constitute, or form part of, any offer to sell or issue or any solicitation of any offer to purchase or subscribe for, any shares in Caledonia", nor shall it (or any part of it) or the fact of its distribution, form the basis of, or be relied on in connection with, or act as an inducement to enter into any contract or agreement thereto.

Information and statements contained in this IR that are not historical facts are "forward-looking information" within the meaning of applicable securities legislation that involve risks and uncertainties relating, but not limited to, Caledonia's current expectations, intentions, plans, and beliefs. Forward-looking information can often be identified by forward-looking words such as "anticipate", "believe", "expect", "goal", "plan", "target", "intend", "estimate", "could", "should", "may" and "will" or the negative of these terms or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. Examples of forward-looking information in this IR include: implementation schedules for, and other uncertainties inherent in, the Central Shaft project; production guidance; estimates of future/targeted production rates; planned mill capacity increases; estimates of future metallurgical recovery rates and the ability to maintain high metallurgical recovery rates; timing of commencement of operations; plans and timing regarding further exploration, drilling and development; the prospective nature of exploration and development targets; the ability to upgrade and convert mineral resources to mineral reserves; capital and operating costs; our intentions with respect to financial position and third party financing; and future dividend payments. This forward-looking information is based, in part, on assumptions and factors that may change or prove to be incorrect, thus causing actual results, performance or achievements to be materially different from those expressed or implied by forward-looking information. Such factors and

assumptions include, but are not limited to: failure to establish estimated resources and reserves, the grade and recovery of ore which is mined varying from estimates, success of future exploration and drilling programmes, reliability of drilling, sampling and assay data, assumptions regarding the representativeness of mineralisation being inaccurate, success of planned metallurgical test-work, capital and operating costs varying significantly from estimates, delays in obtaining or failures to obtain required governmental, environmental or other project approvals, changes in government regulations, legislation and rates of taxation, inflation, changes in exchange rates, fluctuations in commodity prices, delays in the development of projects and other factors.

Security holders, potential security holders and prospective investors should be aware that these statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. Such factors include, but are not limited to: risks relating to estimates of mineral reserves and mineral resources proving to be inaccurate, fluctuations in gold price and payment terms for gold sold to Fidelity, risks and hazards associated with the business of mineral exploration, development and mining (including environmental hazards, industrial accidents, unusual or unexpected geological or structural formations, pressures, power outages, fire, explosions, landslides, cave-ins and flooding), risks relating to the credit worthiness or financial condition of suppliers, refiners and other parties with whom the Company does business, inadequate insurance, or inability to obtain insurance, to cover these risks and hazards, employee relations, relationships with and claims by local communities and indigenous populations, political risk, risks related to natural disasters, terrorism, civil unrest, public health concerns (including health epidemics or outbreaks of communicable diseases such as the COVID-19), availability and increasing

costs associated with mining inputs and labour, the speculative nature of mineral exploration and development, including the risks of obtaining or maintaining necessary licences and permits, diminishing quantities or grades of mineral reserves as mining occurs, global financial condition, the actual results of current exploration activities, changes to conclusions of economic evaluations, and changes in project parameters to deal with un-anticipated economic or other factors, risks of increased capital and operating costs, environmental, safety or regulatory risks, expropriation, the Company's title to properties including ownership thereof, increased competition in the mining industry for properties, equipment, qualified personnel and their costs, risks relating to the uncertainty of timing of events including targeted production rate increase and currency fluctuations. Security holders, potential security holders and prospective investors are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking

information involves numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events will not occur. Caledonia reviews forward-looking information for the purposes of preparing each IR; however, Caledonia undertakes no obligation to update publicly or otherwise revise any forward-looking information whether as a result of new information, future events or other such factors which affect this information, except as required by law.

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