

Management's Discussion and Analysis

This management's discussion and analysis ("MD&A") of the consolidated operating results and financial position of Caledonia Mining Corporation Plc ("Caledonia" or the "Company") is for the quarter ended March 31, 2022 ("Q1 2022" or the "Quarter"). It should be read in conjunction with the Interim Financial Statements of Caledonia for the Quarter (the "Interim Financial Statements") which are available from the System for Electronic Data Analysis and Retrieval at www.sedar.com or from Caledonia's website at www.caledoniamining.com. The Interim Financial Statements and related notes have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. In this MD&A, the terms "Caledonia", the "Company", the "Group", "we", "our" and "us" refer to the consolidated operations of Caledonia Mining Corporation Plc and its subsidiaries unless otherwise specifically noted or the context requires otherwise.

Note that all currency references in this document are to thousands of US Dollars, unless otherwise stated.

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1. OVERVIEW

Caledonia is an exploration, development and mining corporation focused on Zimbabwe. Caledonia's primary asset is a 64% ownership in Blanket Mine ("Blanket"), a gold mine in Zimbabwe. Caledonia consolidates Blanket into the Interim Financial Statements; accordingly, operational and financial information set out in this MD&A is on a 100% basis, unless otherwise specified. Caledonia's shares are listed on the NYSE American LLC ("NYSE American"), depositary interests in Caledonia's shares are admitted to trading on AIM of the London Stock Exchange plc and depositary receipts in Caledonia's shares are listed on the Victoria Falls Stock Exchange ("VFEX") (all under the symbols "CMCL").

2. HIGHLIGHTS

	Q1 2021	Q1 2022	Comment
Gold produced (oz)	13,197	18,515	Record quarterly gold production for any first quarter. The 40% increase in gold production was due to increased tonnes milled, grade and recoveries.
On-mine cost per ounce (\$/oz) ¹	836	698	On-mine cost per ounce decreased by 16% due to higher production, which spread fixed costs over more production ounces, and a lower electricity cost due to reduced usage of the diesel generators.
All-in sustaining cost ("AISC")	1,044	968	AISC per ounce fell by 7%, which reflects the lower on-mine cost per ounce offset by higher royalty, administrative and share-based payment costs.
Average realised gold price (\$/oz) ¹	1,738	1,848	The average realised gold price reflects international spot prices.
Gross profit ²	10,381	16,892	Gross profit for the Quarter increased due to higher production and lower on-mine cost per ounce.
Net profit attributable to shareholders	4,550	5,940	Net profit increased due to the higher gross profit, offset by increased non-operating costs such as the costs of share-based payments and hedging
Basic IFRS earnings per share ("EPS") (cents)	37.3	44.6	IFRS EPS reflects the movement in IFRS profit attributable to shareholders.
Adjusted EPS ¹	51.6	62.5	Adjusted EPS excludes foreign exchange gains and losses, deferred tax and impairments.
Net cash from operating activities	1,963	10,155	Net cash from operating activities increased due to higher operating profit and lower working capital growth
Net cash and cash equivalents	13,027	14,430	Net cash remains robust.

¹ Non-IFRS measures such as "On-mine cost per ounce", "AISC", "average realised gold price" and "adjusted EPS" are used throughout this document. Refer to section 10 of this MD&A for a discussion of non-IFRS measures.

² Gross profit is after deducting royalties, production costs and depreciation but before administrative expenses, other income, interest and finance charges and taxation.

Safety

Regrettably, a fatal accident occurred on February 21, 2022 as a result of a vehicle accident underground. The directors and management of Caledonia and Blanket express their sincere condolences to the family and colleagues of the deceased. Management has provided the necessary assistance to the Ministry of Mines Inspectorate Department in its enquiries into the incident. Caledonia takes the safety of its employees very seriously and, accordingly, measures have been taken to reinforce adherence to prescribed safety procedures. Safety is discussed further in section 4.1.

An excellent operating and financial performance

Production for the Quarter was 18,515 ounces, a 40% increase from the first quarter of 2021 (the “comparable quarter” or “Q1 2021”). Production for the Quarter exceeded our expectations and represents a new record for production in the first quarter of any year. Production for the Quarter excludes approximately 1,500 ounces of recoverable gold included in an ore stockpile that was accumulated during the Quarter.

Excellent production, a higher gold price and good cost control contributed to a 19.5% increase in IFRS earnings per share and a five-fold increase in net cash from operating activities.

Rising production in 2022 and 2023

Production is expected to continue to increase in the next two years. Production guidance for 2022 is a range of 73,000 to 80,000 ounces; guidance from 2023 onwards is 80,000 ounces – 38% higher than production in 2021.

6,797 ounces of gold were produced in April 2022 which is an annualised production rate of approximately 81,500 ounces of gold.

Changes to the board and management

The following changes to management and the board were announced during the reporting period:

- On January 20, 2022, Mr Dana Roets, Chief Operating Officer, was appointed to the board as an executive director;
- On February 28, 2022, Mr John McGloin, resigned from the board as a non-executive director; and
- On May 4, 2022, Mr Gordon Wylie was appointed to the board as an independent non-executive director with effect from May 5, 2022. Mr Wylie has over 46 years’ experience in the mining industry in both mining and exploration geology. Between 1997 and 2005, Mr Wylie was part of AngloGold Ashanti Limited’s senior management team where he was responsible for the company’s global exploration programs, mining geology and associated technical services, covering around 40 countries and 5 continents.

Progress on solar project accelerates following delays due to COVID-19 and supply chain problems

The Company is constructing a 12MWac solar plant at a cost of approximately \$14 million to improve the quality and security of Blanket’s electricity supply and to reduce Blanket’s environmental footprint. The plant is expected to provide approximately 27% of Blanket’s total daily electricity demand. Progress on this project has resumed and it is anticipated that it will be commissioned in June 2022.

Caledonia has commissioned a technical proposal for an expansion of this project to further reduce Blanket’s reliance on the Zimbabwe grid.

Strategy and Outlook: increased focus on growth opportunities

Caledonia’s immediate strategic focus is on Blanket: to increase production, reduce operating costs and increase the flexibility to undertake further development and exploration, thereby safeguarding and enhancing Blanket’s long-term future. Management believes there is excellent exploration potential at Blanket at depth, in the older shallower areas of the mine and in brownfield sites immediately adjacent to the existing Blanket footprint.

Caledonia continues to evaluate other opportunities further afield from Blanket. The Company is evaluating geological information at the Maligreen mining claims in the Zimbabwe midlands which is estimated to host a NI 43-101 compliant inferred mineral resource of approximately 940,000 ounces of gold in 15.6 million tonnes at a grade of 1.88g/t³.

³ Refer to technical report entitled “Caledonia Mining Corporation Plc NI 43-101 Mineral Resource Report on the Maligreen Gold Project, Zimbabwe” by Minxcon (Pty) Ltd dated November 2, 2021 and filed on SEDAR on November 5, 2021.

Our approach to new projects is highly disciplined: after further evaluation, during the Quarter the Company decided not to exercise the option to acquire the Connemara North property as it does not meet our investment criteria.

3. SUMMARY FINANCIAL RESULTS

The table below sets out the consolidated profit and loss for the Quarter and Q1 2021 prepared under IFRS.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (unaudited)		
(\$'000's)	3 months ended March 31	
	2021	2022
Revenue	25,720	35,072
Royalty	(1,289)	(1,758)
Production costs	(12,857)	(14,359)
Depreciation	(1,193)	(2,063)
Gross profit	10,381	16,892
Other income	23	2
Other expenses	(258)	(793)
Administrative expenses	(1,610)	(2,371)
Net foreign exchange gain	273	909
Cash-settled share-based expense	(152)	(367)
Equity-settled share-based expense	-	(82)
Derivative financial instrument expenses	(114)	(1,738)
Operating profit	8,543	12,452
Net finance costs	(118)	(116)
Profit before tax	8,425	12,336
Tax expense	(3,002)	(4,719)
Profit for the period	5,423	7,617
Other comprehensive income		
<i>Items that are or may be reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	(202)	693
Total comprehensive income for the period	5,221	8,310
Profit attributable to:		
Owners of the Company	4,550	5,940
Non-controlling interests	873	1,677
Profit for the period	5,423	7,617
Total comprehensive income attributable to:		
Owners of the Company	4,348	6,633
Non-controlling interests	873	1,677
Total comprehensive income for the period	5,221	8,310
Earnings per share (cents)		
Basic	37.3	44.6
Diluted	37.2	44.6
Adjusted earnings per share (cents)		
Basic	51.6	62.5
Dividends declared per share (cents)	11.0	14.0

Revenue in the Quarter was 36% higher than the comparable quarter due to a 28% increase in the quantity of gold sold supported by a 6% increase in the average realised gold price. Production in the Quarter included 443 ounces (net) of work-in-progress (Q1 2021: 1,584 ounces) but excludes recoverable gold in an ore-stockpile. Gold production is discussed in section 4.3 of this MD&A.

The royalty rate payable to the Zimbabwe Government was unchanged at 5% in the Quarter.

Production costs increased by 11.7% in the Quarter compared to the comparable quarter. Production costs in the Quarter were largely as budgeted other than the cost of electricity which was lower than expected due to the reduced use of diesel generators following the installation of a further autotap changer in late 2021. The on-mine cost per ounce in the Quarter decreased by 16.5% compared to the comparable quarter. Costs are discussed in section 4.6 of this MD&A.

The depreciation charge in the Quarter increased substantially because of increased production (fixed assets are depreciated over production ounces) and the charge arising on the Central Shaft assets following its commissioning at the end of March 2021.

Other expenses are detailed in note 7 to the Interim Financial Statements and include an impairment of \$467 on the accumulated expenditure on the Connemara North exploration project as discussed in Section 5.

Administrative expenses are detailed in note 8 to the Interim Financial Statements and include the costs of Caledonia's offices and personnel in Johannesburg, the UK and Jersey which provide the following functions: technical services, finance, procurement, investor relations, corporate development, legal and company secretarial. Administrative expenses in the Quarter were 47% higher than the comparable quarter. The increase was due mainly to higher legal and professional fees (primarily relating to executive search initiatives) and an increase in the charge for directors' liability insurance.

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 which is discussed in section 4.9 of this MD&A. The net foreign exchange movement in the Quarter was higher than in the comparable period reflecting the accelerated depreciation of the Zimbabwe currency in the Quarter.

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 "OEICP" or the "Plan") to certain executives, heads of department and staff in the form of Restricted Share Units ("RSUs") and Performance Units ("PUs") and which may be settled in cash or, subject to conditions, shares or a combination of both at the request of the award holder. The equity-settled share-based expense relates to awards made to executives and certain other senior members of management on January 24, 2022, which are only settled in shares and are subject to enhanced performance criteria. The LTIP expense reflects a combination of factors, including the change in the Company's share price, which increased significantly in the Quarter. Further information on the calculation of the charge is set out in note 9 to the Interim Financial Statements.

The tax expense comprises the following:

Analysis of Consolidated Tax expense/(credit) for the Quarter				
(\$'000's)				
	Zimbabwe	South Africa	UK	Total
Income tax	2,885	71	-	2,956
Withholding tax				
Management Fee	-	48	-	48
Deemed Dividend	111	-	160	271
Deferred tax	1,449	(5)	-	1,444
	<u>4,445</u>	<u>114</u>	<u>160</u>	<u>4,719</u>

The overall effective taxation rate in the Quarter was 38% (Q1, 2021: 36%); most of the tax charge comprised income tax and deferred tax in Zimbabwe.

Income tax in Zimbabwe is calculated at 24.72% of taxable profits (2021: 24.72%) which is IFRS profit before tax (in local currency terms) after adjustments which include the deduction of the government royalty and capital expenditure and the add-back of depreciation. 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 tax purposes; whereas for accounting purposes depreciation commences when the project enters production.

South African income tax arises on intercompany profits arising at Caledonia Mining South Africa Proprietary Limited ("CMSA").

Zimbabwe withholding tax arose on the management fees paid to CMSA and on dividends paid from Zimbabwe to the UK.

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. The non-controlling interest as a percentage of consolidated profit is higher due to costs and taxes incurred by the Group outside Blanket.

IFRS basic EPS for the Quarter increased by 19.6% from 37.3 cents in the comparable quarter to 44.6 cents. Adjusted EPS for the Quarter, which excludes *inter alia* the effect of foreign exchange gains and deferred tax increased by 21% from 51.6 cents in the comparable quarter to 62.5 cents due to the higher net foreign exchange and the lower deferred tax adjustment in the Quarter. A dividend of 14 cents per share was declared and paid in the Quarter. Caledonia's dividends are discussed further in section 14.

Risks that may affect Caledonia's future financial condition are discussed in sections 4.9 and 17.

The table below sets out the consolidated statements of cash flows for the Quarter and the comparable quarter prepared under IFRS.

Condensed Consolidated Statement of Cash Flows (unaudited)		
(\$'000's)	3 months ended	
	March 31	
	2021	2022
Cash flows from operating activities		
Cash generated from operations	2,550	11,844
Interest paid	(123)	(30)
Tax paid	(464)	(1,659)
Net cash from operating activities	1,963	10,155
Cash flows used in investing activities		
Acquisition of property, plant and equipment	(6,344)	(9,734)
Acquisition of exploration and evaluation assets	(190)	(224)
Proceeds from disposal of subsidiary	340	-
Net cash used in investing activities	(6,194)	(9,958)
Cash flows from financing activities		
Dividends paid	(1,692)	(1,788)
Term loan repayments	(104)	-
Payment of lease liabilities	(32)	(40)
Net cash used in financing activities	(1,828)	(1,828)
Net decrease in cash and cash equivalents	(6,059)	(1,631)
Effect of exchange rate fluctuations on cash and cash equivalents	(6)	(204)
Net cash and cash equivalents at beginning of the period	19,092	16,265
Net cash and cash equivalents at end of the period	13,027	14,430

Cash generated from operating activities is detailed in note 21 to the Interim Financial Statements which shows that cash generated by operations before working capital changes in the Quarter was \$13.5 million, 39% higher than the \$9.7 million in the comparable quarter.

Working capital increased in the Quarter by \$1.6 million (Q1 2021: \$7.2 million increase) due to increased prepayments for capital items. Movements in working capital items are discussed below in the review of the Summarised Consolidated Statements of Financial Position.

Tax paid in the Quarter reflects the increased pre-tax profits at Blanket and is after the offset of part of the overdue VAT recoverable.

Investment in property, plant and equipment remains high due to the continued investment in new development associated with the Central Shaft project, which is discussed further in section 4.7 of this MD&A in sustaining capital investment and includes approximately \$5.7 million of investment in the solar project as discussed in section 4.13.

The acquisition of exploration and evaluation assets relates to the ongoing work at the Maligreen claims and geological evaluations as discussed further in section 5.

Dividends comprise dividends paid by the Company as discussed in section 14.

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 the end of the Quarter and December 31, 2021 prepared under IFRS.

Summarised Consolidated Statements of Financial Position			
<i>(\$'000's)</i>	<i>As at</i>	Dec 31	Mar 31
		2021	2022
Total non-current assets		157,944	168,063
Inventories		20,812	20,297
Prepayments		6,930	4,393
Trade and other receivables		7,938	10,215
Income tax receivable		101	37
Cash and cash equivalents		17,152	15,286
Total assets		210,877	218,291
Total non-current liabilities		12,633	11,629
Lease liabilities – short term portion		134	136
Trade and other payables		9,957	9,743
Derivative financial liabilities		3,095	4,037
Income tax payable		1,562	3,108
Overdraft		887	856
Cash-settled share-based payments - short term portion		2,053	818
Total liabilities		30,321	30,327
Total equity		180,556	187,964
Total equity and liabilities		210,877	218,291

Non-current assets increased due to the investment at Blanket in the Central Shaft and related infrastructure, electrical infrastructure and sustaining investment; investment in the solar project; and the acquisition and investments in exploration and evaluation properties.

Inventories remain at a high level; management is focussed on reducing inventory levels consistent with maintaining a prudent level of inventory.

Inventories include 443 ounces of gold work-in-progress (December 2021: 444 ounces). For logistical reasons, this gold was delivered and sold to Fidelity Printers and Refiners (Private) Limited (“Fidelity”), a subsidiary of the Reserve Bank of Zimbabwe (“RBZ”), early in April 2022.

Prepayments represent deposits and advance payments for goods and services. Prepayments decreased largely due to the reduction in prepayments in respect of the solar project as it nears completion.

Trade and other receivables are detailed in note 17 to the Interim Financial Statements and include \$7.0 million (December 31, 2021: \$4.5 million) due from Fidelity in respect of gold deliveries prior to the close of business on March 31, 2022 and \$2.9 million (December 31, 2021: \$3.2 million) due from the Zimbabwe Government in respect of VAT refunds. The increased receivable due from Fidelity reflects the higher gold price and a particularly large delivery of gold at the end of the Quarter; the full amount due from Fidelity in respect of gold deliveries was received as it fell due in April 2022.

Some of the VAT receivable is outside its normal due date and management continues to pursue recovery of all amounts due, which includes offsetting VAT receivables from the amounts paid in respect of other taxes.

The distribution of the consolidated cash across the jurisdictions where the Company operates was as follows:

Geographical location of cash (\$'000's)					
	As at	June 30, 2021	Sept 30, 2021	Dec 31, 2021	Mar 31, 2022
Zimbabwe		3,162	2,072	8,092	5,842
South Africa		3,155	1,704	635	1,861
UK/Jersey		10,352	9,234	7,538	6,727
Total net cash and cash equivalents		16,669	13,010	16,265	14,430

Included in the cash and cash equivalents of \$5.8m that is shown as being held in Zimbabwe is a restricted cash amount of US\$2.3 million (denominated in RTGS\$) held by Blanket Mine which has been earmarked by Stanbic Bank Zimbabwe as a letter of credit in favour of CMSA. The letter of credit was issued by Stanbic Bank Zimbabwe on March 25, 2022 in RTGS\$ and has a 90-day tenure to settlement. The cash on maturity will be transferred to CMSA’s bank account, denominated in South African rand.

The derivative financial liability relates to a gold loan and related options which were entered into in the previous quarter, and the liabilities relating to a cap and collar hedge that was entered into in February 2022 and further hedging arrangements that were entered into in March 2022 in the light of the volatility in the gold price following the Russian invasion of Ukraine. Hedging arrangements are discussed further in section 7.

The short-term portion of the cash-settled share-based payment liability is in respect of awards made to employees at Caledonia, CMSA and Blanket in terms of the OEICP. The awards can be settled in cash or, subject to conditions, shares at the option of the recipient.

The following information is provided for each of the eight most recent quarterly periods ending on the dates specified. The figures are extracted from underlying financial statements that have been prepared using accounting policies consistent with IFRS.

(\$'000's except per share amounts)	June 30, 2020	Sept 30, 2020	Dec 31, 2020	Mar 31, 2021	Jun 30, 2021	Sep 30, 2021	Dec 31, 2021	Mar 31, 2022
Revenues	22,913	25,359	28,128	25,720	29,977	33,496	32,136	35,072
Profit attributable to owners of the Company	5,134	4,433	2,973	4,550	2,694	6,939	4,222	5,940
EPS – basic (cents)	43.1	36.6	24.0	37.3	21.1	56.8	33.3	44.6
EPS – diluted (cents)	43	36.5	23.9	37.2	21.1	56.7	33.3	44.6
Net cash and cash equivalents	11,639	21,562	19,092	13,027	16,669	13,010	16,265	14,430

Fluctuations in profit attributable to owners of the Company on a quarterly basis are due to, *inter alia*, substantial foreign exchange profits as discussed in the relevant MD&As and financial statements.

4. OPERATIONS

4.1 Safety, Health and Environment

The following safety statistics have been recorded for the Quarter and the preceding seven quarters.

Blanket Mine Safety Statistics								
Classification	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022
Fatal	0	0	0	0	0	0	0	1
Lost time injury	1	1	3	0	1	0	2	0
Restricted work activity	2	5	1	4	0	1	1	0
First aid	1	0	0	0	0	1	0	2
Medical aid	2	5	5	2	5	6	8	6
Occupational illness	0	0	0	0	0	0	0	0
Total	6	11	9	6	6	8	11	9
Incidents	15	21	14	17	9	26	10	9
Near misses	7	7	7	11	3	6	2	4
Disability Injury Frequency Rate	0.42	0.80	0.55	0.53	0.14	0.12	0.24	0.12
Total Injury Frequency Rate	0.83	1.48	1.23	0.79	0.85	0.98	1.58	1.07
Man-hours worked (000's)	1,443	1,491	1,460	1,509	1,418	1,629	1,643	1,686

Blanket's headcount has increased in the last 12 months and, despite intensive training for new employees, they appear to have lower safety awareness. The Nyanzvi safety training initiative was resumed in the previous quarter as COVID-19 restrictions were relaxed; management believes this will help to increase general safety awareness.

Unfortunately, on February 21, 2022 there was a fatal accident in a development haulage involving a LHD loader. The board and management of Caledonia extended their condolences to the family and colleagues of the deceased.

4.2 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 the Gwanda Community Share Ownership Trust ("GCSOT") in terms of Blanket's indigenisation, and payments of taxation and other non-taxation charges to the Zimbabwe Government and its agencies are set out in the table below.

**Payments to the Community and the Zimbabwe Government
(\$'000's)**

Period	Year	Community and Social Investment	Payments to GCSOT	Payments to Zimbabwe Government (excl. royalties)	Total
Year	2013	2,147	2,000	15,354	19,501
Year	2014	35	-	12,319	12,354
Year	2015	50	-	7,376	7,426
Year	2016	12	-	10,637	10,649
Year	2017	5	-	11,988	11,993
Year	2018	4	-	10,140	10,144
Year	2019	47	-	10,357	10,404
Year	2020	1,689	184	12,526	14,399
Year	2021	1,163	948	16,426	18,537
Q1	2022	152	-	4,091	4,244

Community and social investment expenditure in the Quarter was focussed on the completion of existing projects such as the Phakama Isolation clinic and the renovations at Sabiwa High School.

No dividends were paid to GCSOT in the Quarter because Blanket did not declare or pay any new dividends in the Quarter so that cash could be directed towards capital expenditure.

4.3 Gold Production

Tonnes milled, average grades, recoveries and gold produced during the Quarter, the preceding 8 quarters, the years 2019, 2020 and 2021 and April 2022 are shown in the table below.

Blanket Mine Production Statistics					
	Year	Tonnes Milled (t)	Gold Head (Feed) Grade (g/t Au)	Gold Recovery (%)	Gold Produced (oz)
Year	2019	556,331	3.31	93.4	55,182
Quarter 1	2020	140,922	3.35	93.8	14,233
Quarter 2	2020	143,210	3.13	93.9	13,499
Quarter 3	2020	157,343	3.19	93.9	15,155
Quarter 4	2020	156,487	3.19	93.5	15,012
Year	2020	597,962	3.21	93.8	57,899
Quarter 1	2021	148,513	2.98	93.0	13,197
Quarter 2	2021	165,760	3.34	93.8	16,710
Quarter 3	2021	179,577	3.48	94.2	18,965
Quarter 4	2021	171,778	3.57	94.3	18,604
Year	2021	665,628	3.36	93.9	67,476
Q1	2022	165,976	3.69	94.1	18,515
April	2022	61,104	3.69	93.9	6,797

Gold production for the Quarter was 40.3% higher than the comparable quarter due to a 11.8% increase in tonnes milled, a 23.7% increase in the grade and higher recovery. Tonnes milled and grade are discussed in section 4.4 of this MD&A; gold recoveries are discussed in section 4.5 of this MD&A.

An ore stockpile of approximately 11,000 tonnes was created during the Quarter because the rate of mining and hoisting exceeded the milling capacity of the plant due to a delay in the installation of an additional mill

because of COVID-19-related production delays at the manufacturer. The new mill is expected to be installed in the second quarter of 2022.

Production in April showed a further improvement in the monthly rate of production, which now exceeds the monthly rate required to achieve annualised production of 80,000 ounces. The increased production in April was due to the commissioning of the Lima crushers which allows a modest increase in milling capacity pending the installation of the larger new crusher at the main metallurgical plant.

4.4 Underground

Tonnes milled in the Quarter were 11.8% higher than the comparable quarter. The increased production is due to the commissioning of the Central Shaft at the end of March 2021; Central Shaft currently handles most of the development waste, which creates capacity at No. 4 Shaft to hoist ore.

The grade in the Quarter was higher than in the comparable quarter due to mine sequencing.

4.5 Metallurgical Plant

Recoveries in the Quarter were 94.1% compared to 93.0% in the comparable quarter. The improved recovery was due to the improved grade.

An additional re-grind mill will be installed before the end of the second quarter of 2022 to achieve the required daily throughput at a consistently fine grind.

4.6 Production Costs

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 the Quarter and the comparable quarter 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:

- i. **On-mine cost per ounce⁴**, 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;
- ii. **All-in sustaining cost per ounce⁴**, 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; and
- iii. **All-in cost per ounce⁴**, which shows the all-in sustaining cost per ounce *plus* the costs associated with activities that are undertaken with a view to increasing production (expansion capital investment).

Cost per Ounce of Gold Sold (US\$/ounce)	3 months ended March 31	
	2021	2022
On-mine cost ⁴	836	698
All-in sustaining cost per ounce ⁴	1,044	968
All-in cost per ounce ⁴	1,477	1,597

A reconciliation of costs per ounce to IFRS production costs is set out in section 10.

On-mine costs

⁴ On-mine cost per ounce, all-in sustaining cost per ounce and all-in cost per ounce are non-IFRS measures. Refer to section 10 for a reconciliation of these amounts to IFRS.

On-mine cost comprises labour, electricity, consumables, and other costs such as security and insurance. Production costs are detailed in note 6 to the Interim Financial Statements. On-mine costs include the procurement margin paid to CMSA on the grounds that this cost represents a fair value that Blanket would pay for consumables if they were sourced from a third party but exclude the cost of work in progress.

On-mine cost per ounce for the Quarter was 16% lower than the comparable quarter due to the increased production which meant that fixed costs were spread over more production ounces and good control of costs that are subject to management control. On-mine cost was also lower because the installation of a further autotap changer at the end of 2021 reduced the frequency of power interruptions resulting from power surges on the incoming grid power and significantly reduced the generator use and diesel expense during the Quarter. On-mine cost per ounce for the Quarter was within the guidance range of between \$669 to \$736 per ounce.

All-in sustaining cost

The All-in sustaining cost excludes the intercompany procurement margin as this reflects the consolidated cost incurred at the group level. The all-in sustaining cost per ounce was 7% lower than the comparable period because of the lower on-mine cost per ounce which was offset by higher royalty and administrative costs, increased share-based payments expenses and higher sustaining capital expenditure.

All-in sustaining cost per ounce for the Quarter of \$968 per ounce was within the guidance range for the whole of 2022 of between \$880 to \$970 per ounce.

All-in cost

All-in cost includes investment in expansion projects at Blanket which remained at a high level in the Quarter due to the continued investment, as discussed in section 4.7 of this MD&A. All-in cost does not include pre-feasibility investment in exploration and evaluation projects.

4.7 Capital Projects

The main capital development project is the infrastructure relating to the Central Shaft which will allow for three new production levels (26, 30 and 34 levels) below the current operations; a fourth level (38 level) is intended to be added in due course via a decline construction. Central Shaft is currently being used to hoist development waste, men and material – thereby freeing up capacity at No. 4 Shaft to hoist ore. Work in the Quarter at Central Shaft included equipping the [grizzlies] at the ore passes on 26 and 30 levels. Development from Central Shaft has continued northwards and southwards on 30 and 34 levels towards AR South and Eroica. The total advances in the Quarter on 30 level and 34 level were 387 metres and 346 metres respectively.

In addition to the Central Shaft, work continued on the following developments:

- Eroica Decline 3: this decline will continue down to the 30 and 34 levels (990m and 1,110m below collar, respectively) and will connect to the haulages from Central Shaft. Progress in the Quarter has been good and the decline has advanced to a depth of 855m;
- Decline 4: this decline has reached 930m where an intermediate haulage has been cut to facilitate early production in 2022. This haulage will cover the high-grade areas of the Blanket No.3 orebody and the Blanket Quartz Reef and will continue south to open the extensive strike of Blanket No.2 orebody. Twin raises have been mined up to 870m and multiple sub-levels are now being mined to expose the orebody where grades are expected to be over 5g/t; and
- Decline 5: the decline branches from Decline 4 at 885m and heads towards the high-grade AR South east-west limb. This decline has reached its destination at 930m and run-of-mine development is now in progress.

In total, 1,572m of capital development were achieved in the Quarter compared to a plan of 1,754m.

4.8 Indigenisation

Transactions that implemented the indigenisation of Blanket (which expression in this section and in certain other sections throughout this MD&A refers to the Zimbabwe company that owns Blanket) were completed on September 5, 2012 following which Caledonia owned 49% of Blanket and received a Certificate of Compliance from the Zimbabwe Government which confirms that Blanket is fully compliant with the *Indigenisation and Economic Empowerment Act*.

Following the appointment of President Mnangagwa in 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 Investments (Private) Limited (“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 held 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 March 31, 2022 was \$16.71 million (December 31, 2021: \$16.71). 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, were withheld by Blanket to repay the advance dividends which were paid to GCSOT in 2012 and 2013 and which had an outstanding balance of \$Nil at March 31, 2022 (December 31, 2020; \$Nil).

The final payment to settle the advance dividend loan to GCSOT was made on September 22, 2021. Future dividends to GCSOT will be unencumbered.

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. Further information on the accounting effects of indigenisation at Blanket is set out in note 5 to the Interim Financial Statements.

4.9 Zimbabwe Commercial Environment

Monetary Conditions

The current situation in Zimbabwe can be summarized as follows:

- Although there continues to be a shortage of foreign currency in Zimbabwe, Blanket has had satisfactory access to foreign exchange to date.
- The rate of annual inflation increased from 5% in September 2018 to approximately 500% by December 2019; the rate of inflation appears to have moderated to an annual rate of 96% for the 12 months to the end of April 2022. A high rate of inflation has little effect on Blanket’s operations because Blanket’s employee remuneration was partly paid in US Dollars and the local currency component was adjusted each month 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 limited 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	2.50
March 31, 2019	3.00
June 30, 2019	6.54
September 30, 2019	15.09
December 31, 2019	16.77
March 31, 2020	25.00
June 30, 2020	57.36
September 30, 2020	81.44
December 31, 2020	81.79
March 31, 2021	84.40
June 30, 2021	85.42
September 30, 2021	87.67
December 2021	108.66
March 31, 2022	142.42
April 27, 2022	159.35

- 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. 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 subsequently reversed this policy and re-established a fixed exchange rate of ZWL\$25:US\$1 with effect from March 26, 2020. 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. During the Quarter the official exchange rate diverged significantly from the “unofficial” rate (i.e. the rate that could be obtained in the informal market). RTGS\$ denominated goods and services are typically priced using a US Dollar reference point to which the informal exchange rate is applied. The official exchange rate does not reflect the local rate of inflation. This means that individuals who receive a RTGS\$-denominated salary which references a US Dollar value at the official exchange rate suffer a significant reduction in their purchasing power. In addition, goods and services that are paid for in local currency have become much more expensive when the price is converted to US Dollars at the official exchange rate. Blanket employees are now paid 100% in US Dollars.
- 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 US Dollars and the balance was received in RTGS\$. From May 26, 2020 gold producers received 70% of their sale proceeds in US Dollars and the balance was received in RTGS\$. With effect from 7 January 2021, gold producers received 60% of their revenues in US Dollars and the balance in RTGS\$.
- After the reduction in the proportion of revenues received in US Dollars from 70% to 60% with effect from January 7, 2021, Blanket participated in the weekly auction system to access the resultant shortfall in US Dollars. From early June 2021, Blanket and other gold producers were excluded from the weekly auctions on the grounds that they are deemed to be exporters and therefore do not qualify to participate. Blanket subsequently secured allocations of foreign exchange from the RBZ to compensate for its exclusion from the auctions. Blanket has also increased the proportion of its expenditure that is made in local currency. As at the date of this MD&A, Blanket has not accumulated excess local currency.
- In June 2021 the RBZ announced that companies whose shares are listed on the Victoria Falls Stock Exchange (“VFEX”) will receive 100% of the revenue arising from incremental production in US

Dollars. Blanket subsequently received confirmation that the “baseline” level of production for the purposes of calculating incremental production is 148.38 Kg per month (approximately 57,000 ounces per annum). In addition, the payment of the increased US Dollar proceeds for incremental production was backdated to July 1, 2021. As Blanket intends to increase its production from approximately 58,000 ounces of gold in 2020 to 80,000 ounces of gold from 2022 onwards, a listing on the VFEX should mean that Blanket will receive approximately 71.5% of its total revenues in US Dollars and the balance in local currency. Accordingly in December 2021 Caledonia obtained a secondary listing on the VFEX. Blanket has received all amounts due in terms of this revised policy.

- In addition to the higher proportion of revenues payable in US Dollars (as outlined above), gold producers are also theoretically allowed to directly export incremental production. However, the practical modalities to achieve this have not yet been clarified; management continues to engage with relevant parties to obtain the necessary clarifications.
- Throughout these developments and to the date of issue of the Interim 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.
- Blanket sells its gold production to Fidelity, which refines and on-sells the gold into the international market. During the first quarter of 2021, responsibility for making payments for gold deliveries from Blanket moved from the RBZ to its gold refining subsidiary Fidelity. This move simplified and improved the mechanism for making payments for gold and the new system is operating well.

Electricity supply

The poor quality of electricity supply from the Zimbabwe Electricity Supply Authority (“ZESA”) is the most significant production difficulty at Blanket. Blanket experiences interruptions to its power supply from the grid and the supply from the grid 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 and early 2020 Blanket increased its diesel generating capacity to 18MW of installed capacity which was sufficient to maintain all operations and capital projects but only on a stand-by basis. Blanket also installed a 10MVA auto tap transformer to protect some of its equipment from voltage fluctuations on the incoming grid supply. A second 10MVA auto tap transformer was installed in December 2021 at a cost of approximately \$0.5 million to protect equipment at No.4 Shaft and the main metallurgical plant. Following the installation of this transformer, Blanket has used less diesel in the production of gold – consumption in the Quarter was 83,332 litres compared to 1,169,297 litres in the preceding quarter.

The quality of the incoming grid supply has deteriorated further in the Quarter and in April 2022 which means that generators continue to be used at Central Shaft on a nearly constant basis. As the work at Central Shaft relates to capital projects, the continued high usage of generators at Central Shaft has an adverse effect on capital spending and not on production costs.

Due to the higher than anticipated use of the diesel generators in October 2021 because of the further deterioration in the ZESA supply, Blanket lost two of its 2.5 MVA generators; replacement units were commissioned in early 2022 at a cost of approximately \$1.2 million. Additional capital costs relating to poor electricity supply of approximately \$3.2 million are anticipated in 2022.

Caledonia’s board has approved a project to construct a 12 MWac solar plant which should provide approximately 27% of Blanket’s average daily electricity demand from June 2022 at a cost of approximately \$14 million (including construction costs and other project planning, structuring, funding and administration costs). Caledonia is considering increasing the scale of the solar plant to further reduce Blanket’s reliance on the grid and diesel generators. This is discussed further in section 4.13.

The continued deterioration in the ZESA supply means that the power factor regularly falls to 60%, which means that Blanket is effectively paying for 100% of the power but receives only 60%.

In light of the continued deterioration in the grid supply and Blanket’s anticipated increased requirement for power at higher production levels, Caledonia’s board has approved a further \$2.8 million capital programme which includes: installing capacitors to improve the power utilization efficiency; installing further autotap changers to stabilize the power at Central Shaft; and optimizing power use. This investment programme is

in addition to the approved capital investment of approximately \$3.2 million which was included in the 2022 capital budget. It is estimated that these new measures will result in a 15% reduction in anticipated total power consumption and improve the mix of power by reducing the use of diesel generators from an expected 21mWh to approximately 2mWh. The overall savings arising from the new programme are expected to be approximately \$9 million per annum assuming a diesel cost at \$1.70 per litre. As mentioned above, Caledonia is evaluating the possibility of further increasing the scale of the solar project.

Water supply

Blanket uses water in the metallurgical process. Blanket is situated in a semi-arid region and rainfall typically only occurs in the period November to February. The 2021/2022 rainy season has been adequate, and management believes water supply is satisfactory.

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% paid in RTGS\$ 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.
- With effect from February 4, 2022 the 5% royalty was payable 60% in US Dollars and 40% in RTGS\$
- Income tax is levied at 24.72% (2020: 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. As noted above, the royalty is deductible for income tax purposes with effect from January 1, 2020. The calculation of taxable income is performed using financial records prepared in RTGS\$, which has significantly reduced the deferred tax liability.
- 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.

4.10 Opportunities and Outlook

Central Shaft Project to Increase Production and Extend Mine Life

As discussed in section 4.7, following the commissioning of the Central Shaft production is expected to increase to the targeted rate of approximately 80,000 ounces per annum from 2022 onwards. The Central Shaft will also create the operational flexibility to establish drilling platforms and resume deep-level exploration drilling.

Production Guidance

Production guidance for 2022 is between 73,000 and 80,000 ounces. The critical factors that influence whether Blanket can achieve this target include:

- Blanket's ability to maintain an adequate supply of consumables and equipment if there is any resurgence in the COVID-19 pandemic and/or disruption to the supply chain arising from unrest in South Africa;
- Blanket's workforce remaining healthy;
- Blanket continuing to receive payment in full and on-time for all gold sales;
- Blanket and Caledonia continuing to be able to make local and international payments in the normal course of business; and

- Blanket's ability to manage the erratic supply of electricity from ZESA.

This is forward looking information as defined by National Instrument 51-102. Refer to section 18 of this MD&A for further information on forward looking statements.

Cost Guidance

On-mine cost per ounce guidance for 2022 is in the range of \$669 to \$736 per ounce; guidance for AISC is \$880 to \$970 per ounce. This is forward looking information as defined by National Instrument 51-102. Refer to section 18 of this MD&A for further information on forward looking statements.

Capital Expenditure

Capital expenditure at Blanket in 2022 is budgeted to be higher than the guidance of \$15.2 million which was provided in 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 (www.sedar.com) on May 26, 2021 and which has an effective date of January 1, 2020. Capital investment for 2022 is now expected to be approximately \$30 million, the increase being due to the following factors:

- A cost overrun of approximately \$0.8 million on the Central Shaft development that was envisaged in the initial project plan, this overrun being due mainly to the higher than anticipated running cost of the trackless equipment that is used in capital development on 30 and 34 levels;
- Additional development as a result of delays in the Central Shaft (as discussed in section 4.7) at a cost of approximately \$3.4 million;
- Additional capital costs resulting from the poor quality of Blanket's electricity supply from ZESA of approximately \$3.2 million (as discussed in section 4.9). This excludes any further investment to increase the scale of the solar plant which is currently being constructed at Blanket;
- Investment of approximately \$2.6 million to upgrade the workers' village to accommodate the larger than anticipated workforce and upgrade the water and sewerage system;
- Investment of approximately \$0.8 million to increase the capacity of the metallurgical plant so that it can handle the increased tonnes required to sustain a production level of 80,000 ounces per annum in the context of the expected reduction in the future head grade as discussed in section 4.4;
- Investment of \$1 million for additional compressors; and
- Further investment of \$2.8 million to address the continued deterioration in the quality of the incoming grid power as discussed in section 4.9.

The cash effect on Caledonia of the increased capital expenditure in 2022 will be mitigated somewhat by income tax relief at 24.72% and the 13.2% effective economic interest of Blanket's indigenous shareholders. The investments to address the deteriorating electricity are expected to result in operating costs being reduced by approximately \$9 million per annum.

Strategy

Caledonia's immediate strategic focus following the commissioning of the Central Shaft at Blanket is to:

- increase production to the target rate of 80,000 ounces of gold per annum from 2022;
- re-commence deep level drilling at Blanket with the objective of upgrading inferred mineral resources, thereby extending the life of mine;
- commence exploration at Blanket above 750 meters; and
- commence exploration within the Blanket lease area that are outside the current mine footprint.

Caledonia will continue geological evaluations at the Maligreen claims with the objective of increasing the confidence level of the existing estimated mineral resource base as discussed in section 5 of this MD&A.

Caledonia will also evaluate further investment opportunities in Zimbabwe and elsewhere.

4.11 Sale of Eersteling

On May 31, 2018, the Group entered into a share sale agreement to sell the shares and claims of Eersteling Gold Mining Company Limited (“Eersteling”), a South African subsidiary which owns a mine that was on care and maintenance since 1997. The share sale agreement allowed for a purchase price of \$3 million to be settled by three payments of \$1 million, the last of which fell due on July 30, 2020. The purchaser was unable to make the final payment due to the closure of the operation during the South African lock-down period and the death of two of the purchaser’s principals. Caledonia received further consideration of \$340 in the previous quarter. Operations at Eersteling were suspended in late 2021 - as it is no longer clear that the remaining consideration of \$761 can be recovered, it was fully impaired in the previous quarter.

4.12 COVID-19

Blanket employs over 1,900 employees the vast majority of whom live with their dependents on the mine village. One case of COVID-19 was recorded at Blanket during 2020; 232 cases of COVID-19 were detected in 2021 of which there was, regrettably, two deaths of an employee and a dependent. Further cases have been detected at the Company’s offices in Harare, Johannesburg and St Helier. Blanket procured sufficient doses of an approved vaccine for all adult employees and their spouses; as at March 31, 2022 1,077 of Blanket’s employees and 620 of the Blanket employee dependents living on the Blanket site have been vaccinated on site.

COVID-19 had no significant effect on production, costs or capital projects in the Quarter.

4.13 Solar project

As noted in section 4.9, Blanket suffers from unstable grid power and load shedding which results in frequent and prolonged power outages. In late 2019 Caledonia initiated a tender process to identify parties to make proposals for a solar project to reduce Blanket’s reliance on grid power. After careful consideration, Caledonia’s board approved the construction of a 12MWac solar plant at a revised construction cost of approximately \$14 million. The plant is expected to provide all of Blanket’s minimum electricity demand during daylight hours; Blanket will continue to rely on the grid 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 total daily electricity requirement.

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

The status of the project is as follows:

- the 40-hectare site for the project has been cleared and fenced;
- Caledonia has obtained the necessary licences and permits for the project;
- Voltalia, an international renewable energy provider, has been appointed as contractor for the project under an engineering, procurement and construction contract;
- Caledonia provided Voltalia with a notice to proceed in March 2021 and has made an advance payment of \$1.8 million for long lead time items that are required to construct the plant;
- orders have been placed for approximately 95% of the solar equipment required to build the plant;
- civil works on the internal roads, drainage, foundations for equipment and the operations and maintenance building have commenced and nears completion;
- the majority of the equipment to construct the project has either been delivered or is en route to site and final assembly has commenced;
- approximately 4,300 holes have been drilled and filled for the ground mounting structure to be constructed; and
- The mounting structure has been constructed for one of the four main blocks and 7,728 panels have been installed of the 25,760. 15,770 meters of LV cabling has been installed of the total 15,932 meters.

The Company is in talks with the Zimbabwe Electricity Transmission & Distribution Company ("ZETDC") to coordinate the commissioning and connection of the plant to the 33 KV grid and it is expected that the plant will be commissioned in June 2022. Manufacturing delays and port closures due to the current Covid lockdowns in China could impact the supply of the remaining equipment and may cause delays to the commissioning date. This equipment is not currently on the critical path to complete the project.

The Company has commenced the evaluation of a further phase for the solar project to provide Blanket's peak demand during daylight hours. This will require an agreement between the Company and the Zimbabwe authorities regarding the treatment of power that will be generated by a second phase that is surplus to Blanket's requirements and/or the installation of storage capacity.

5 EXPLORATION

Caledonia's exploration activities are focussed on Blanket and Maligreen.

Blanket

There was no deep exploration drilling at Blanket in the Quarter. Deep level exploration drilling will recommence after the related development, in the Central Shaft area, has been completed to provide access to new drilling positions. Exploration at Blanket's portfolio of satellite properties was suspended in 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 2021, Blanket completed the sale of Mascot, Eagle Vulture and Penzance properties for a cash consideration of \$500. The GG satellite property remains on care and maintenance.

Connemara North

In December 2020 Caledonia entered into an option agreement which gave the Company the exclusive right to explore for a period of 18 months (i.e. until May 2022) and subsequently, if exploration is successful and at its sole discretion, acquire the mining claims over an area known as Connemara North.

After further evaluations, in March 2022 Caledonia decided that the asset does not meet the Company's criteria for further investment and accordingly the option to acquire the mining claims will not be exercised. The accumulated expenditure on this property of \$163 was impaired in the Quarter.

Maligreen

In 2021 Caledonia purchased the mining claims over the Maligreen project ("Maligreen"), situated in the Zimbabwe Midlands, for a cash consideration of US\$4 million.

Maligreen is a substantial brownfield exploration opportunity with significant historical exploration and evaluation work having been conducted on the property over the last 30 years.

As at August 31, 2021 the property is estimated to contain a NI 43-101 compliant inferred mineral resource of approximately 940,000 ounces of gold⁵ in 15.6 million tonnes at a grade of 1.88g/t. Of the inferred mineral resource 76% (approximately 712,000 ounces) is shallower than 220m indicating the potential for an open pit mining operation. The inferred mineral resource has been estimated using a cut-off grade of 0.4g/t for a potential open pit and 1.5g/t for a potential underground mine (further information on the assumptions used is set out in the news release dated September 23, 2021 and in the technical report mentioned in the footnote below). Initial assessments of the inferred mineral resource indicate a favourable grade tonnage curve; by applying a higher cut-off grade of 1.0g/t, the total estimated inferred mineral resource reduces by 12% to approximately 827,000 ounces at a grade of 2.79g/t, a 48% higher grade. These favourable grade tonnage dynamics offer a high level of flexibility in the evaluation of a future mining operation.

The total area of Maligreen is approximately 550 hectares comprising two historic open pit mining operations which produced approximately 20,000 oz of gold mined from oxides between 2000 and 2002 after which the operation was closed. Caledonia expects to drill an initial 4,800 meters at an estimated cost of US\$1.6 million over a period of 18 to 24 months to improve its understanding of the existing resource and assess the

⁵ Refer to technical report entitled "Caledonia Mining Corporation Plc NI 43-101 Mineral Resource Report on the Maligreen Gold Project, Zimbabwe dated November 5, 2021 prepared by Minxcon (Pty) Ltd and filed on SEDAR (www.sedar.com).

potential for a mining operation. Further exploration opportunities exist within the claims area and a subsequent exploration programme is under consideration to explore for continuations of the existing inferred mineral resource at depth to the north-west and the strike extension in the northern part of the property.

Activities in the Quarter have focussed on re-evaluating data from previous exploration with the objective of upgrading the confidence level of the resource in the second quarter of 2022. Thereafter, it is expected that on-the-ground exploration activities will commence.

6. INVESTING

An analysis of investment in the Quarter, and the years 2021, 2020 and 2019 is set out below.

(\$'000's)	2019 Year	2020 Year	2021 Year	2022 Q1
Total Investment – Property, plant and equipment	20,423	24,778	31,269	12,365
Blanket	20,128	24,315	29,323	6,601
Solar	-	372	1,581	5,744
Other	295	91	365	20
Total investment – Exploration and evaluation assets	172	3,058	1,582	224
Connemara North	-	300	163	4
Glen Hume	-	2,661	1,176	-
Other Satellite properties	172	97	243	220

Investment in property, plant and equipment at Blanket is in terms of the investment plan that was announced in October 2014 and which is discussed in section 4.7 of this MD&A; investment in solar is as discussed in section 4.13; investment in exploration and evaluation assets is as set out in section 5. All further investment is expected to be funded by internal cash flows and cash resources.

7. FINANCING

Caledonia financed all its operations using funds on hand, funds generated by its operations, the proceeds of a secondary listing on the VFEX, the proceeds of a gold loan and Blanket's overdraft facilities which were as set out below at March 31, 2022.

Overdraft facilities					
Lender	Date drawn	Principal value	Balance drawn at March 31, 2022	Repayment terms	Security
Stanbic Bank Zimbabwe Limited	Sep-21	RTGS\$300 million	RTGS\$128 million	On demand	Unsecured
Stanbic Bank Zimbabwe Limited	Dec-21	US\$1 million	Nil	On demand	Unsecured

After the end of the Quarter Blanket obtained an additional overdraft facility for \$2 million with CABS, a Zimbabwean bank, which will be used to enhance the flexibility of Blanket's working capital.

On February 17, 2022 the Group entered into a zero cost contract to hedge 20,000 ounces of gold over a period of 5 months from March to July 2022. The hedging contract has a cap of \$1,940 and a collar of \$1,825, over 4,000 ounces of gold per month expiring at the end of each month over the 5-month period.

On March 9, 2022 in response to a very volatile gold price, the Company purchased a matching quantity of call options at a strike price above the cap at a total cost of \$796,000 over 4,000 ounces of gold per month at strike prices of \$2,100 per ounce from March 2022 to May 2022 and \$2,200 per ounce from June 2022

to July 2022 in order to limit margin exposure and reinstate gold price upside above the strike price. Refer to note 11 of the Interim Financial Statements for more detail on the hedging agreements.

8. LIQUIDITY AND CAPITAL RESOURCES

An analysis of Caledonia's capital resources at March 31, 2022 and at the end of each of the preceding 5 quarters is set out below.

Liquidity and Capital Resources <i>(\$'000's)</i>							
	As at	Dec 31	Mar 31	Jun 30	Sep 30	Dec 31	Mar 31
		2020	2021	2021	2021	2021	2022
Term facility		408	286	178	70	-	-
Gold ETF		1,184	1,045	-	-	-	-
Gold loan		-	-	-	-	2,866	3,322
Cash and cash equivalents in the statement of cashflows		19,092	13,027	16,669	13,010	17,152	14,430
Working capital		34,622	33,179	34,804	35,729	35,360	31,530

Movements in Caledonia's net cash, the overdraft and working capital and an analysis of the sources and uses of Caledonia's cash are discussed in section 3 of this MD&A. The overdraft and term facilities are held by Blanket with Zimbabwean banks with security and repayment periods as detailed in section 7. The gold loan is held by Caledonia on the terms detailed in section 7. The Company's liquid assets as at March 31, 2022 plus anticipated cashflows exceed its planned and foreseeable commitments as set out in section 9.

9. OFF-BALANCE SHEET ARRANGEMENTS, CONTRACTUAL COMMITMENTS AND CONTINGENCIES

There are no off-balance sheet arrangements apart from the facilitation loans of \$16.7 million which are not reflected as loans receivable for IFRS purposes (refer to note 5 of the Interim Financial Statements). The Company had the following contractual obligations at March 31, 2022:

Payments due by Period <i>(\$'000's)</i>					
	Within 1	1-3 Years	4-5 Years	After 5	Total
Falling due	year			Years	
Trade and other payables	9,743	-	-	-	9,743
Provisions	-	366	677	2,174	3,217
Capital expenditure commitments	3,768	-	-	-	3,768
Derivative financial liabilities	4,037	-	-	-	4,037
Lease liabilities	136	320	-	-	456
Cash-settled share-based payments	818	817	-	-	1,635

The capital expenditure commitments relate 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 a further \$26.2 million in 2022; and
- Caledonia further intends to pay a further \$9.2 million for the solar project in 2022.

Other than the proposed investment in the solar project and at the exploration properties, the committed and uncommitted investment will be used to maintain Blanket's existing operations and implement the final development relating to the Central Shaft which is discussed in section 4.7 of this MD&A.

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 solar project and the exploration properties, from Caledonia's cash resources

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 March 31, 2022, Caledonia had potential liabilities for rehabilitation work on Blanket – if the mine is permanently closed – at an estimated discounted cost of \$3.4 million (December 30, 2020: \$3.6 million).

10. NON-IFRS MEASURES

Throughout this document, we provide measures prepared in accordance with IFRS in addition to some non-IFRS performance measures. As 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 define below the non-IFRS measures used in this document and reconcile such non-IFRS measures to the IFRS measures we report.

10.1 Cost per ounce

Non-IFRS performance measures such as “on-mine cost per ounce”, “all-in sustaining cost per ounce” 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 non-IFRS cost measures to the production costs shown in the financial statements prepared under IFRS.

Reconciliation of IFRS production costs to non-IFRS cost measures (\$'000's unless otherwise indicated)		
	3 months ended	
	March 31	
	2021	2022
Production cost (IFRS)	12,857	14,359
COVID-19 expenses included in operating cost	(78)	-
Cash-settled share-based expense	(210)	(513)
Less exploration and site restoration costs	(182)	(231)
Other cost	(35)	(375)
On-mine production cost*	12,352	13,240
Gold sales (oz)	14,781	18,957
On-mine cost per ounce (\$/oz)	836	698
Royalty	1,289	1,758
Exploration, remediation and permitting cost	91	50
Sustaining capital expenditure	235	460
Administrative expenses	1,610	2,371
Silver by-product credit	(26)	(31)
Cash-settled share-based payment expense included in production cost	210	513
Cash-settled share-based payment expense	152	367
Equity-settled share-based payment expense	-	82
Procurement margin included in on-mine cost*	(484)	(458)
All-in sustaining cost	15,429	18,352
Gold sales (oz)	14,781	18,957
AISC per ounce (\$/oz)	1,044	968
COVID-19 donations	74	-
COVID-19 labour and consumable expenses	78	-
Permitting and exploration expenses	41	18
Non-sustaining capital expenditure	6,206	11,905
Total all-in cost	21,828	30,275
Gold sales (oz)	14,781	18,957
All-in cost per ounce (\$/oz)	1,477	1,597

* The on-mine cost reflects the cost incurred on-mine to produce gold. The procurement margin on consumable sales between CMSA and Blanket is not deducted from On-mine cost as the cost represent a fair value that Blanket would pay for consumables if they were sourced from a third party. The procurement margin on these sales is deducted from All-in sustaining costs and All-in costs as these numbers represent the consolidated costs at a group level excluding intercompany profit margins.

10.2 Average realised gold price per ounce

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 (\$'000's unless otherwise indicated)		
	3 months ended	
	March 31	
	2021	2022
Revenue (IFRS)	25,720	35,072
Revenues from sales of silver	(26)	(31)
Revenues from sales of gold	25,694	35,041
Gold ounces sold (oz)	14,781	18,957
Average realised gold price per ounce (US\$/oz)	1,738	1,848

10.3 Adjusted earnings per share

“Adjusted earnings per share” is a non-IFRS measure which management believes assists investors to understand the Company’s underlying performance. The table below reconciles “adjusted earnings per share” to the Profit/Loss attributable to owners of the Company shown in the financial statements which have been prepared under IFRS.

Reconciliation of Adjusted Earnings per Share (“Adjusted EPS”) to IFRS Profit Attributable to Owners of the Company (\$’000’s unless otherwise indicated)		
	3 months ended March 31	
	2021	2022
Profit for the period (IFRS)	5,423	7,617
Non-controlling interest share of profit for the period	(873)	(1,677)
Profit attributable to owners of the Company	4,550	5,940
Blanket Mine Employee Trust adjustment	(34)	(255)
Earnings (IFRS)	4,516	5,685
<i>Weighted average shares in issue (thousands)</i>	<i>12,119</i>	<i>12,757</i>
<i>IFRS EPS (cents)</i>	<i>37.3</i>	<i>44.6</i>
Add back/(deduct) amounts in respect of foreign exchange movements		
Realised net foreign exchange losses	(7)	1,039
- less tax	4	(256)
- less non-controlling interest	1	(103)
Unrealised net foreign exchange losses/(gains)	(266)	(1,948)
- less tax	36	633
- less non-controlling interest	19	230
Adjusted IFRS profit excl. foreign exchange	4,303	5,280
<i>Weighted average shares in issue (thousands)</i>	<i>12,119</i>	<i>12,757</i>
<i>Adjusted IFRS EPS excl. foreign exchange (cents)</i>	<i>35.5</i>	<i>41.4</i>
Add back/(deduct) amounts in respect of:		
Reversal of Blanket Mine Employee Trust adjustment	34	255
Impairment of property, plant and equipment	(51)	-
Deferred tax	2,059	811
Non-controlling interest portion deferred tax and impairment	(208)	(106)
Hedge loss	114	-
Fair value losses on derivative financial instruments	-	1,738
Adjusted profit	6,251	7,978
<i>Weighted average shares in issue (thousands)</i>	<i>12,119</i>	<i>12,757</i>
<i>Adjusted EPS (cents)</i>	<i>51.6</i>	<i>62.5</i>

11. RELATED PARTY TRANSACTIONS

There were no related party transactions in the Quarter.

12. CRITICAL ACCOUNTING ESTIMATES

Caledonia's accounting policies are set out in the Interim Financial Statements which have been publicly filed on SEDAR. In preparing the Interim Financial Statements, management is required to make estimates and assumptions that affect the amounts represented in the Interim 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. Discussion of recently issued accounting pronouncements is set out in note 4 of the Interim Financial Statements.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the Interim Financial Statements is included in the following notes:

i) Indigenisation transaction

The directors of Caledonia Holdings Zimbabwe (Private) Limited (“CHZ”), a wholly owned subsidiary of the Company, performed an assessment, using the requirements of IFRS 10: *Unaudited Condensed Consolidated Interim Financial Statements* (IFRS 10), and concluded that CHZ should continue to consolidate Blanket and accounted for the transaction as follows:

- Non-controlling interests (“NCI”) are recognised on the portion of shareholding upon which dividends declared by Blanket accrue unconditionally to equity holders as follows:
 - (a) 20% of the 16% shareholding of National Indigenisation and Economic Empowerment Fund (“NIEEF”); and
 - (b) 100% of the 10% shareholding of GCSOT.
- This effectively means that NCI is recognised at Blanket at 13.2% of its net assets.
- The remaining 80% of the shareholding of NIEEF is recognised as a non-controlling interest to the extent that its attributable share of the net asset value of Blanket exceeds the balance on the facilitation loans including interest. At March 31, 2022 the attributable net asset value did not exceed the balance on the loan account and thus no additional NCI was recognised.

The transaction with Blanket Employee Trust Services (Private) Limited (“BETS”) is accounted for in accordance with IAS 19 *Employee Benefits* (profit sharing arrangement) as the ownership of the shares does not ultimately pass to the employees. The employees are entitled to participate in 20% of the dividends accruing to the 10% shareholding in Blanket if they are employed at the date of such distribution. To the extent that 80% of the attributable dividends exceeds the balance on BETS’ facilitation loan they will accrue to the employees at the date of such declaration.

The Employee Trust, which owns BETS, and BETS are structured entities which are effectively controlled and consolidated by Blanket. Accordingly, the shares held by BETS are effectively treated as treasury shares in Blanket and no NCI is recognised.

ii) Site restoration provisions

The site restoration provision has been calculated for Blanket based on an independent analysis of the rehabilitation costs performed in 2021. Estimates and assumptions are made when determining the inflationary effect on current restoration costs and the discount rate to be applied in arriving at the present value of the provision. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates take account of any material changes to the assumptions that occur when reviewed by management. Estimates are reviewed annually and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to provisions from period to period. Actual rehabilitation costs will ultimately depend on future market prices for the rehabilitation costs which will reflect the market condition at the time the rehabilitation costs are incurred. The final cost of the currently recognized site rehabilitation provisions may be higher or lower than currently provided for.

iii) Exploration and evaluation (“E&E”) expenditure

The Group makes estimates and assumptions regarding the possible impairment of E&E properties by evaluating whether it is likely that future economic benefits will flow to the Group, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If information becomes available suggesting that the recovery of expenditures is unlikely, the amount capitalized is written off in profit or loss in the period the new information becomes available. The recoverability of the carrying amounts of exploration and evaluation assets depends upon the availability of sufficient funding to bring the properties into commercial production, the price of the products to be recovered and the undertaking of profitable mining operations. As a result of these uncertainties, the actual amount recovered may vary significantly from the carrying amount.

iv) Income taxes

Significant estimates and assumptions are required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. Caledonia records its best estimate of the tax liability including any related interest and penalties in the current tax provision. In addition, Caledonia applies judgement in recognizing deferred tax assets relating to tax losses carried forward to the extent that there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized or sufficient estimated taxable income against which the losses can be utilized.

v) Share-based payment transactions

The fair value of the amount payable to employees in respect of share-based awards, which are settled in cash, is recognised as an expense with a corresponding increase in liabilities, over the period over which the employee becomes unconditionally entitled to payment. The liability is re-measured at each reporting date. Any changes in the fair value of the liability are recognised as a personnel expense in profit or loss. Additional information about significant judgements and estimates and the assumptions used to estimate fair value for cash settled share-based payment transactions are disclosed in note 9 to the Interim Financial Statements.

vi) Impairment

At each reporting date, Caledonia determines if impairment indicators exist and, if present, performs an impairment review of the non-financial assets held in Caledonia. The exercise is subject to various judgemental decisions and estimates. Financial assets are also reviewed regularly for impairment.

vii) Depreciation

Depreciation on mine development, infrastructure and other assets in the production phase is computed on the units-of-production method over the life-of-mine based on the estimated quantities of reserves (proven and probable) and resources (measured, indicated and inferred), which are planned to be extracted in the future from known mineral deposits. Where items have a shorter useful life than the life-of-mine, the mine development, infrastructure and other assets are depreciated over their useful life. Confidence in the existence, commercial viability and economical recovery of reserves and resources included in the life-of-mine plan may be based on historical experience and available geological information. This is in addition to the drilling results obtained by the Group and management's knowledge of the geological setting of the surrounding areas, which would enable simulations and extrapolations to be done with a sufficient degree of accuracy. In instances where management can demonstrate the economic recovery of resources with a high level of confidence, such additional resources are included in the calculation of depreciation.

viii) Mineral reserves and resources

Mineral reserves and resources are estimates of the amount of product that can be economically and legally extracted. In order to calculate the reserves and resources, estimates and assumptions are required about a range of geological, technical and economic factors, including but not limited to quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity prices and exchange rates. Estimating the quantity and grade of mineral reserves and resources requires the size, shape and depth of orebodies to be determined by analysing geological data such as the logging and assaying of drill samples. This process may require complex and difficult geological assumptions and calculations to interpret the data. Estimates of mineral reserves and resources may change due to the change in economic assumptions used to estimate mineral reserves and resources and due to additional geological data becoming available during operations.

The Group estimates its reserves (proven and probable) and resources (measured, indicated and inferred) based on information compiled by a Qualified Person principally in terms of the Canadian National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101") relating to geological and technical data of the size, depth, shape and grade of the ore body and suitable production techniques and

recovery rates. Such an analysis requires geological and engineering assumptions to interpret the data. These assumptions include:

- correlation between drill-holes intersections where multiple reefs are intersected;
- continuity of mineralisation between drill-hole intersections within recognised reefs; and
- appropriateness of the planned mining methods.

The Group estimates and reports reserves and resources principally in accordance with NI 43-101 and the Canadian Institute of Mining, Metallurgy and Petroleum (the “CIM”) - *CIM Definition Standards for Mineral Resources and Mineral Reserves*. Complying with the CIM code, NI 43-101 requires the use of reasonable assumptions to calculate the recoverable resources. These assumptions include:

- the gold price based on current market price and the Group’s assessment of future prices;
- estimated future on-mine costs, sustaining and non-sustaining capital expenditures;
- cut-off grade;
- dimensions and extent, determined both from drilling and mine development, of ore bodies; and
- planned future production from measured, indicated and inferred resources.

Changes in reported reserves and resources may affect the Group’s financial results and position in several ways, including the following:

- asset carrying values may be affected due to changes in the estimated cash flows;
- depreciation and amortisation charges to profit or loss may change as these are calculated on the unit-of-production method or where useful lives of an asset change; and
- decommissioning, site restoration and environmental provisions may change in ore reserves and resources which may affect expectations about the timing or cost of these activities.

13. FINANCIAL INSTRUMENTS

i) Commodity risk

Caledonia is exposed to fluctuations in the price of gold because Blanket produces and sells gold doré and receives the prevailing spot price for the gold contained therein. On February 17, 2022 the Company entered into a cap and collar hedging arrangement hedging contract for 20,000 ounces of gold over a period of 5 months from March to July 2022. The hedging contract has a cap of \$1,940 and a collar of \$1,825, meaning that, for the 4,000 ounces of gold per month for the period, Caledonia will receive an effective gold price per ounce of not less than \$1,825 or greater than \$1,940 and will receive an effective spot gold price between these two levels. On March 9, 2022 in response to a very volatile gold price, the Company purchased a matching quantity of call options at a strike price above the cap in order to limit margin exposure and reinstate gold price upside above the strike price. Refer to note 11 of the Interim Financial Statements for more detail on the hedging agreements.

ii) Credit risk

The carrying amount of financial assets as disclosed in the statements of financial position and related notes represents the maximum credit exposure. The trade receivable relates to gold bullion sold before the end of the Quarter and VAT receivables. The amount due in respect of bullion sales was settled in April 2022 as it fell due. The RTGS\$ component of the VAT receivable was in arrears at the end of the Quarter. Management continues to engage with the necessary authority to recover the amount due either by cash payment and/or by offset against other tax amounts payable by Blanket.

Included in Cash and cash equivalents is a restricted cash amount of US\$2.3 million (denominated in RTGS\$) held by Blanket Mine. The amount represents cash earmarked by Stanbic Bank Zimbabwe as a letter of credit in favour of CMSA. The letter of credit was issued by Stanbic Bank Zimbabwe on March 25, 2022 and has a 90-day tenure to settlement. The cash will be transferred to CMSA, denominated in South African Rand.

iii) Impairment losses

None of the trade and other receivables is past due at the period-end date other than a portion of the RTGS\$ component of the VAT receivable. Management continues its efforts to recover the RTGS\$ component of the VAT receivable either by cash payment and/or offset against other tax amounts payable by Blanket.

iv) Liquidity risk

All trade payables and the bank overdraft have maturity dates that are expected to mature in under 6 months. The term loans are repayable as set out in section 7.

v) Currency risk

A proportion of Caledonia's assets, financial instruments and transactions are denominated in currencies other than the US Dollar. The financial results and financial position of Caledonia are reported in US Dollars in the Interim Financial Statements.

The fluctuation of the US Dollar in relation to other currencies will consequently have an impact upon the profitability of Caledonia and may also affect the value of Caledonia's assets and liabilities and the amount of shareholders' equity.

As discussed in section 4.9 of this MD&A, the RTGS\$ is subject to variations in the exchange rate against the US Dollar. This may result in Blanket's assets, liabilities and transactions that are denominated in RTGS\$ being subject to further fluctuations in the exchange rate between RTGS\$ and US Dollars. In addition, the Company may be subject to fluctuations in the exchange rate between the South African Rand and the US Dollar in respect of cash that is held in Rands in South Africa.

vi) Interest rate risk

Interest rate risk is the risk borne by an interest-bearing asset or liability due to fluctuations in interest rates. Unless otherwise noted, it is the opinion of management that Caledonia is not exposed to significant interest rate risk as it has limited debt financing. Caledonia's cash and cash equivalents include highly liquid investments that earn interest at market rates. Caledonia manages its interest rate risk by endeavouring to maximize the interest income earned on excess funds while maintaining the liquidity necessary to conduct operations on a day-to-day basis. Caledonia's policy focuses on preservation of capital and limits the investing of excess funds to liquid term deposits in high credit quality financial institutions.

14. DIVIDEND POLICY

Following the share consolidation on June 26, 2017, the Company announced on July 4, 2017 an increased quarterly dividend of 6.875 United States cents which has been paid at the end of July, October, January and April thereafter. The dividend of 6.875 US cents per share effectively maintained the dividend at the previous level of 1.375 United States cents per share, after adjusting for the effect of the consolidation.

On January 3, 2020, the Company announced a 9.1% increase in the quarterly dividend from 6.875 cents to 7.5 cents per share.

On April 1, 2020, the Company announced the deferral of the quarterly dividend that would ordinarily have been declared and paid in April 2020 due to the uncertainty surrounding the COVID-19 pandemic. On April 29, 2020, the Company announced this dividend would be paid at the end of May 2020 at a rate of 7.5 cents per share.

On June 29, 2020, the Company announced a 13% increase in the quarterly dividend from 7.5 cents to 8.5 cents per share.

On October 1, 2020, the Company announced an 18% increase in the quarterly dividend from 8.5 cents to 10 cents per share.

On January 4, 2021, the Company announced a 10% increase in the quarterly dividend from 10 cents to 11 cents per share.

On April 6, 2021 the Company announced a 9% increase in the quarterly dividend from 11 cents to 12 cents per share.

On July 6, 2021 the company announced an 8% increase in the quarterly dividend from 12 cents to 13 cents per share.

On October 4, 2021 the company announced an 8% increase in the quarterly dividend from 13 cents to 14 cents per share. This seventh increase represents a cumulative 104% increase in the quarterly dividend since October 2019.

On January 4, 2022, the Company announced a dividend of 14 cents per share payable on January 28, 2022.

On April 4, 2022 the Company announced a dividend of 14 cents per share payable on April 29, 2022.

The board will consider the continuation of the dividend and any future increases in the dividend as appropriate in line with other investment opportunities and its prudent approach to risk management including: Blanket maintaining a reasonable level of production; receiving payment in full and on-time for all gold sales; being able to make the necessary local and international payments and being able to replenish its supplies of consumables and other items.

15. MANAGEMENT AND BOARD

On January 20, 2022, Mr Dana Roets, Chief Operating Officer, was appointed to the board as an executive director.

On February 28, 2022, Mr John McGloin resigned from the board as a non-executive director of the Company.

On May 4, 2022 Mr Gordon Wylie was appointed to the board as a non-executive director with effect from May 5, 2022. Mr Wylie holds a bachelor's degree with Honours in Geology from the University of Glasgow, a Management Diploma from UNISA South Africa and a Postgraduate Diploma in Mining Engineering and Mineral Economics from Wits University, South Africa. He has over 46 years' experience in the mining industry in both mining and exploration geology. Between 1997 and 2005, Mr Wylie was part of AngloGold Ashanti Limited's senior management team where he was responsible for the Company's global exploration programs, mining geology and associated technical services, covering around 40 countries and 5 continents. Since leaving AngloGold Ashanti, Gordon has accumulated 16 years' board experience as a non-executive director, of which 12 were as Chairman at Lydian International Limited. He is currently a non-executive director of Chaarat Gold Holdings Limited, which is listed on AIM and a non-executive director of Silverton Metals Corp., which is listed on TSX-V.

16. SECURITIES OUTSTANDING

At May 11, 2022, being the last day practicable prior to the publication of this MD&A, Caledonia had 12,833,126 common shares issued and outstanding options to purchase common shares ("Options") as follows:

Number of Options	Exercise Price Canadian \$	Expiry Date
<u>10,000</u>	9.3	25-Aug-24

The Plan allows that the number of shares reserved for issuance to participants under the Plan, together with shares reserved for issue under any other share compensation arrangements of the Company, shall not exceed the number which represents 10% of the issued and outstanding shares from time to time.

Awards under the Plan made to executives and certain other senior members of management on January 24, 2022, consisting of a target of 130,380 PUs, are only to be settled in shares. The PUs that vest will be subject to a performance multiplier and a maximum amount of 150% of target PUs could vest. Accordingly, providing for such a maximum amount, Caledonia could grant Options on a further 1,077,742 shares at May 12, 2022 on the assumption that all other outstanding LTIPs are settled in cash at the request of the LTIP holders.

17. RISK ANALYSIS

The business of Caledonia contains significant risk due to the nature of mining, exploration and development activities. Caledonia's business contains significant additional risks due to the jurisdictions in which it

operates and the nature of mining, exploration and development. Included in the risk factors below are details of how management seeks to mitigate the risks where this is possible.

- **COVID-19 pandemic:** The COVID-19 pandemic had no discernable effect on the Company or its operations during the period under review. COVID-19 pandemic, and measures that may be taken by governments and other parties to counter the spread of the virus may, *inter alia*, have the following effects on the Company: its workforce may fall ill which could affect operations; restrictions on transport and travel may impede the Company's ability to procure consumables, equipment and services which may affect operations and progress on capital projects; the banking system may not operate effectively which may impede the Company's ability to effect domestic and international payments; it may be difficult to secure a route to market for the gold ore produced by Blanket. In response to these risks, management has introduced measures to safeguard its employees from the virus; engaged closely with its customer, Fidelity, regarding access to refiners and the eventual route to market for Blanket's production; and management regularly reviews its financial status and projections. However, it must be recognised that the duration and effects of the COVID-19 pandemic are uncertain and therefore not capable of accurate forecasting.
- **Liquidity risk:** The Company aims to generate capital to be able to continue to invest in properties and projects without raising further third-party financing. Caledonia currently has sufficient cash resources and continues to generate sufficient cash to cover all its anticipated investment needs. The primary reason for the secondary listing on the VFEX was to obtain a greater proportion of Blanket's revenues in US Dollars, as discussed in section 4.9.
- **Availability of foreign currency:** The Company needs access to foreign currency in Zimbabwe so that it can pay for imported goods and equipment and remit funds to Group companies outside Zimbabwe. At prevailing gold prices and the current rate of production the Company has access to sufficient foreign currency to continue normal mining operations and to fully implement the investment plan as scheduled. The Company has established mechanisms to increase the proportion of its revenues it can access in US Dollars. No assurance can be given that sufficient foreign currency will continue to be available.
- **Exploration risk:** The Company needs to identify new resources to replace ore which has been depleted by mining activities and to commence new projects. No assurance can be given that exploration will be successful in identifying sufficient mineral resources of an adequate grade and suitable metallurgical characteristics that are suitable for further development or production.
- **Development risk:** The Company is engaged in the implementation of the Central Shaft project as set out in section 4.7 of this MD&A. Construction and development of projects are subject to numerous risks including: obtaining equipment, permits and services; changes in regulations; currency rate changes; labour shortages; fluctuations in metal prices and the loss of community support. There can be no assurance that construction will commence or continue in accordance with the current expectations or at all.
- **Production estimates:** Estimates for future production are based on mining plans and are subject to change. Production estimates are subject to risk and no assurance can be given that future production estimates will be achieved. Actual production may vary from estimated production for a variety of reasons including un-anticipated variations in grades, mined tonnages and geological conditions, accident and equipment breakdown, changes in metal prices and the cost and supply of inputs and changes to government regulations.
- **Mineral rights:** The Company's existing mining lease, claims, licences and permits are in good standing. The Company must pay fees etc. to maintain its lease, claims and licences. The Company may not make payments by the required date or meet development and production schedules that are required to protect its lease, claims and licences.
- **Metal prices:** The Company's operations and exploration and development projects are heavily influenced by the price of gold, which is particularly subject to fluctuation. The Company currently has a hedging arrangement in place for a portion of production for the period from March to July 2022. Management regularly reviews future cash flow forecasts in the context of the prevailing gold price and likely downside scenarios for future gold prices.

- **Increasing input costs:** Mining companies generally have experienced higher costs of steel, reagents, labour and electricity and from local and national government for levies, fees, royalties and other direct and indirect taxes. Blanket’s planned growth should allow the fixed cost component to be absorbed over increased production, thereby helping to alleviate somewhat the effect of any further price increases.
- **Illegal mining:** In previous years there were incidences of illegal mining activities on properties controlled by Blanket which resulted in increased security costs and an increased risk of theft and damage to equipment. Blanket has received adequate support and assistance from the Zimbabwean police in investigating such cases. Those properties most at risk from such activity have been sold.
- **Electricity supply:** Zimbabwe produces and imports less electricity than it requires and has insufficient funds to adequately maintain or upgrade its distribution infrastructure. This has resulted in frequent interruptions to the power supply at Blanket. Blanket has addressed the issue of interrupted power supply by installing stand-by generators. Production at Blanket has also been adversely affected by the instability of the incoming electricity supply. The Company has installed a further auto-tap changer to increase the protection against power surges and it has further increased its diesel generating capacity. The Company is installing a solar plant which will provide some of Blanket’s power requirements.
- **Water supply:** Blanket uses water in the metallurgical process, most of which is obtained from a nearby dam. Blanket is situated in a semi-arid area and rainfall typically occurs only in the period November to February. The most recent rainy season has been better than average and management believes there is enough water in the Blanket dam to maintain normal operations until the next rainy season.
- **Succession planning:** The limited availability of mining and other technical skills and experience in Zimbabwe and the difficulty of attracting appropriately skilled employees to Zimbabwe creates a risk that appropriate skills may not be available if, for whatever reason, the current skills base at Blanket is depleted. The Caledonia and Blanket management teams have been augmented so that, if required, it could provide appropriate support to Blanket if this is required.
- **Country risk:** The commercial environment in which the Company operates is unpredictable. Potential risks may arise from: unforeseen changes in the legal and regulatory framework which means that laws may change, may not be enforced, or judgements may not be upheld; restrictions on the movement of currency and the availability of foreign currency at a realistic exchange rate to make payments from Zimbabwe; risks relating to possible corruption, bribery, civil disorder, expropriation or nationalisation; risks relating to restrictions on access to assets and the risk that the Zimbabwe Government is unable to pay its liabilities to Blanket. Management believes that it has minimised such risks by complying fully with all relevant legislation, by obtaining all relevant regulatory permissions and approvals and by regular and proactive engagement with the relevant authorities.
- **Gold marketing arrangements:** In terms of regulations introduced by the Zimbabwean Ministry of Finance in January 2014, all gold produced in Zimbabwe must be sold to Fidelity, a company which is owned by the RBZ. In 2021, the Ministry of Finance announced a modification to the regulations that theoretically allows gold producers who are listed on the VFEX to export their incremental gold production. However, the mechanisms whereby this revised policy may be effected have not yet been clarified. The requirement to sell to the Zimbabwe government increases Blanket’s credit risk because it failed to pay Blanket in 2008. The responsibility for making payments to gold producers was transferred from the RBZ to Fidelity in early 2020 following which Blanket has received payments more promptly.

18. FORWARD LOOKING STATEMENTS

Information and statements contained in this MD&A 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 MD&A 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 programs, reliability of drilling, sampling and assay data, assumptions regarding the representativeness of mineralization 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 coronavirus (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 licenses 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 MD&A; 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.

19. CONTROLS

The Company has established and maintains disclosure controls and procedures ("DC&P") designed to provide reasonable assurance that material information relating to the Company is made known to the Chief Executive Officer and the Chief Financial Officer by others, particularly during the period in which annual filings are being prepared, and that information required to be disclosed in the Company's annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified by such securities legislation.

The Company's management, along with the participation of the Chief Executive Officer and the Chief Financial Officer, have evaluated the effectiveness of the Company's DC&P as of March 31, 2022. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that, at March 31, 2022, the Company's DC&P were effective.

The Company also maintains a system of internal controls over financial reporting ("ICFR") designed under the supervision of the Company's Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS; however, due to inherent limitations, ICFR may not prevent or detect all misstatements and fraud. The board of directors approves the financial statements and ensures that management discharges its financial responsibilities. The Audit Committee, which is composed of independent directors, meets periodically with management and auditors to review financial reporting and control matters and reviews the financial statements and recommends them for approval to the board of directors.

The Company's management, including the Chief Executive Officer and the Chief Financial Officer, is responsible for establishing and maintaining adequate ICFR and evaluating the effectiveness of the Company's ICFR as at each fiscal year end. Management has used the 2013 Internal Control-Integrated Framework from the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO") to evaluate the effectiveness of the Company's ICFR at March 31, 2022. Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that at March 31, 2022, the Company's ICFR was effective.

There have been no changes in the Company's ICFR during the period ended March 31, 2022 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

20. QUALIFIED PERSON

Mr. Dana Roets (B Eng (Min), MBA, Pr..Eng, FSAIMM, AMMSA) is the Company's qualified person as defined by Canada's National Instrument 43-101. Mr. Roets is responsible for the technical information provided in this MD&A except where otherwise stated. Mr. Roets has reviewed the scientific and technical information included in this document and has approved the disclosure of this information for the purposes of this MD&A.