

**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 September 30, 2023 ("Q3 2023" or the "Quarter"). It should be read in conjunction with the Unaudited Condensed Consolidated 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](http://www.sedar.com) or from Caledonia's website at [www.caledoniamining.com](http://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 in US Dollars (also "\$", "US\$" or "USD"), unless stated otherwise.***

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## 1. OVERVIEW

Caledonia is a Zimbabwean focussed exploration, development, and mining corporation. Caledonia owns a 64% stake in the gold-producing Blanket mine (“Blanket”), and 100% stakes in the Bilboes oxide mine, the Bilboes sulphide project, the Motapa and Maligreen gold mining claims, all situated in Zimbabwe. 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. SUMMARY

	3 months ended September 30		9 months ended September 30		Comment
	2023	2022	2023	2022	
Gold produced (oz)	22,923	21,120	57,576	59,726	<p>Gold produced in the Quarter was 8.5% higher than the third quarter of 2022 (the “comparative” or “comparable quarter” or “Q3 2022”) mainly due to higher tonnes milled at Blanket.</p> <p>21,772 ounces of gold was produced at Blanket marking a record for any quarter and an increase from the 17,436 ounces produced in the previous quarter.</p> <p>1,151 ounces of gold were produced from the Bilboes oxide mine in the Quarter, an increase from the 1,076 ounces produced in the second quarter of 2023.</p> <p>The Bilboes oxide mine was intended to be a small-scale, low-margin, short-term project. Mining and hauling activities were placed on care and maintenance at the end of September 2023.</p>
On-mine cost per ounce (\$/oz) <sup>1</sup>	928	734	1,056	709	<p>On-mine cost per ounce in the Quarter increased by 26.5%.</p> <p>64% of the increase was due to the high cost per ounce at the Bilboes oxide mine that has been placed on care and maintenance.</p> <p>The remainder of the increase was due to higher on-mine costs at Blanket due to increased labour cost and electricity cost that contributed approximately \$91 per ounce to the overall increase in on-mine costs per ounce compared to the comparative quarter.</p>

	3 months ended September 30		9 months ended September 30		Comment
	2023	2022	2023	2022	
All-in sustaining cost ("AISC") <sup>1</sup>	<b>1,268</b>	962	<b>1,339</b>	933	The AISC per ounce in the Quarter increased by 31.8% compared to the comparative quarter predominantly due to the higher on-mine cost per ounce and an increase in sustaining capital expenditure. AISC includes the benefit of the solar plant electricity saving (\$38 per ounce) in the Quarter.
Average realised gold price (\$/oz) <sup>1</sup>	<b>1,901</b>	1,696	<b>1,906</b>	1,792	The average realised gold price reflects international spot prices.
Gross profit <sup>2</sup> (\$'000)	<b>14,143</b>	15,572	<b>30,926</b>	50,461	Gross profit for the Quarter decreased from the comparable quarter due to higher production costs, in particular at the Bilboes oxide mine and increased depreciation.
Net profit (loss) attributable to shareholders (\$'000)	<b>4,506</b>	8,614	<b>(1,036)</b>	25,932	Net profit for the Quarter includes a lower gross profit due to increased production cost and a foreign exchange loss of \$0.3m compared to a foreign exchange gain of \$1.6m in the comparable quarter.
Basic IFRS profit (loss) earnings per share ("EPS") (cents)	<b>24.1</b>	65.4	<b>(6.8)</b>	197.7	IFRS EPS reflects the movement in IFRS profit attributable to shareholders and the effect of new shares issued in previous quarters.
Adjusted EPS (cents) <sup>1</sup>	<b>33.0</b>	60.7	<b>15.2</b>	178.8	Adjusted EPS excludes inter alia net foreign exchange gains and losses, deferred tax and fair value movements on derivative financial instruments.
Net cash from operating activities (\$'000)	<b>14,495</b>	8,923	<b>11,393</b>	35,792	Despite the lower operating profit, net cash from operating activities in the Quarter increased due to a reversal of unrealised foreign exchange movements, the reversal of higher depreciation which is included in operating profit and reduced working capital.
Net cash and cash equivalents (\$'000)	<b>(3,192)</b>	6,167	<b>(3,192)</b>	6,167	Net cash during the Quarter decreased due to the cash consumption from operating activities from the Bilboes oxide mine and the high level of capital investment at Blanket.

<sup>1</sup> 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.

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

### **Record quarterly production at Blanket**

Gold production at Blanket was a record for any quarter and amounted to 21,772 ounces, 3.1% higher than the 21,120 ounces produced in the comparative quarter. Management has focused intensively on the production challenges in the first half of 2023 and will maintain annual production guidance for Blanket for the year to December 31, 2023 at between 75,000 and 80,000 ounces.

On-mine cost guidance for 2023 at Blanket has increased to between \$860 and \$950 per ounce from the previous \$770 to \$850 per ounce due to higher labour and electricity cost. Management is pursuing initiatives to improve operating efficiencies.

### **Bilboes Feasibility Study**

Work to refresh the existing feasibility study for the large-scale sulphide project at Bilboes is well-advanced. Management has always stressed that it will consider alternative development paths for Bilboes with a view to optimising capital allocation and thereby maximising the uplift in value for Caledonia shareholders. The development of a feasibility study for an alternative, smaller scale initial project requires a completely new approach to the mining and processing which will take longer to prepare than the work to refresh the existing large-scale study. The preliminary results of this second exercise are expected in early 2024 after which an indeterminate period will be required to review and, if necessary, optimise the preliminary output. Management awaits the results of both studies (i.e. large scale and small scale) so that it can identify the most effective development route from the perspective of optimal capital allocation.

### **Bilboes oxide mine on care and maintenance**

The Bilboes oxide mine was intended as a small-scale, low-margin, short-term project the primary objective of which was to cover the cost of the Bilboes operation before the start of the larger sulphide project. Due to the oxide mining activities incurring losses, it returned to care and maintenance with effect from September 30, 2023 following which costs at Bilboes will reduce from approximately \$1 million per month to \$200,000, being the costs of security and other care and maintenance costs.

Oxide mining and processing will resume when the stripping of the waste for the sulphide project commences. Operational costs should come down from approximately \$1 million per month after being placed on care and maintenance. Holding costs of security, labour and other care and maintenance costs are expected to amount to \$200,000 per month in 2024.

The Company withdrew guidance in April 2023 for the Bilboes oxide mine.

### **Proposed solar sale**

Due to the unique operating environment in Zimbabwe and Caledonia's significant in-country expertise, Caledonia opted to build the solar plant using its own resources rather than relying on an external party to build and own the solar plant using its own financial resources and selling the resultant power to Blanket on a long-term contract. Accordingly, Caledonia constructed the solar plant at a cost of \$14.2 million. As the solar plant is now fully commissioned and is working as planned, Caledonia no longer needs to own the solar plant, provided it retains long term access to the power it produces.

In the second quarter of 2023 management embarked on a process to sell the solar plant. Various offers were received and a counterparty has been given exclusivity to further negotiate the sale of the plant after proving their ability to operate and fund solar plants of similar size and complexity. Management is in an advanced stage of finalising the contractual arrangements to sell the solar plant. The new owners will exclusively supply Blanket with electricity from the current plant, on a take-or-pay basis. This transaction is expected to realise a profit on Caledonia's investment in the plant and release cash for reinvestment in Caledonia's core business of gold mining that yields higher returns to our shareholders.

### **Encouraging drilling results at Blanket**

The ongoing underground drilling program at Blanket targeted the Eroica ore body and has yielded encouraging results which were published on July 10, 2023. Approximately 5,600 meters of drilling were completed between January 2023 and the end of May 2023. Initial results indicate that the existing Eroica ore body has a better grade and width than was generally expected. In due course, this new information will be reflected in a revised resource statement and an updated technical report in respect of Blanket. Exploration is discussed further in section 5.

### **Fatality at Blanket**

On August 7, 2023, an accident took place at Blanket. As a result, an employee of GMG Pty Ltd, a company contracted to Blanket, succumbed to his injuries in hospital. The accident related to the maintenance of trackless equipment. 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 and contractors very seriously and measures have been taken to reinforce adherence to prescribed safety procedures. Safety is discussed further in section 4.1.

### **Strategy and Outlook: increased focus on growth opportunities**

The immediate strategic focus is to:

- maintain production at Blanket at the targeted range of 75,000 - 80,000 ounces for 2023 and at a similar level for 2024;
- continue deep level drilling at Blanket with the objective of further upgrading inferred mineral resources, thereby extending the life of mine;
- complete the Caledonia feasibility study on the Bilboes sulphide project to determine the best implementation strategy and estimate the funding requirements, and commence development of the sulphide project; and
- commence exploration at Motapa.

The strategy and outlook of Caledonia is further discussed in section 4.10 of this MD&A.

### 3. SUMMARY FINANCIAL RESULTS

The table below sets out the consolidated profit or loss for the Quarter and comparative quarter prepared under IFRS.

<b>Condensed Consolidated Statements of profit or loss and Other comprehensive income (Unaudited)</b> <b>(\$'000's)</b>				
	<b>3 months ended September 30</b>		<b>9 months ended September 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Revenue	41,187	35,840	107,653	107,904
Royalty	(2,207)	(1,796)	(5,650)	(5,408)
Production costs	(20,452)	(15,802)	(61,028)	(44,663)
Depreciation	(4,385)	(2,670)	(10,049)	(7,372)
<b>Gross profit</b>	<b>14,143</b>	<b>15,572</b>	<b>30,926</b>	<b>50,461</b>
Other income	62	14	127	17
Other expenses	(701)	(552)	(2,800)	(1,835)
Administrative expenses	(2,889)	(2,789)	(11,890)	(8,068)
Net foreign exchange (loss) gain	(257)	1,559	(2,334)	6,640
Cash-settled share-based expense	(27)	(25)	(298)	(335)
Equity-settled share-based expense	(233)	(94)	(564)	(176)
Net derivative financial instrument expenses	(102)	537	(590)	(1,160)
<b>Operating profit</b>	<b>9,996</b>	<b>14,222</b>	<b>12,577</b>	<b>45,544</b>
Net finance costs	(508)	(9)	(2,332)	(300)
<b>Profit before tax</b>	<b>9,488</b>	<b>14,213</b>	<b>10,245</b>	<b>45,244</b>
Tax expense	(3,777)	(4,018)	(8,552)	(14,051)
<b>Profit for the period</b>	<b>5,711</b>	<b>10,195</b>	<b>1,693</b>	<b>31,193</b>
<b>Other comprehensive income</b>				
<i>Items that are or may be reclassified to profit or loss</i>				
Exchange differences on translation of foreign operations	(79)	(699)	(778)	(858)
<b>Total comprehensive income for the period</b>	<b>5,632</b>	<b>9,496</b>	<b>915</b>	<b>30,335</b>
<b>Profit (loss) attributable to:</b>				
Owners of the Company	4,506	8,614	(1,036)	25,932
Non-controlling interests	1,205	1,581	2,729	5,261
<b>Profit for the period</b>	<b>5,711</b>	<b>10,195</b>	<b>1,693</b>	<b>31,193</b>
<b>Total comprehensive income attributable to:</b>				
Owners of the Company	4,427	7,915	(1,814)	25,074
Non-controlling interests	1,205	1,581	2,729	5,261
<b>Total comprehensive income for the period</b>	<b>5,632</b>	<b>9,496</b>	<b>915</b>	<b>30,335</b>
<b>Earnings (loss) per share (cents)</b>				
Basic	24.1	65.4	(6.8)	197.7
Diluted	14.7	65.4	(5.5)	197.7
<b>Adjusted earnings per share (cents)</b>				
Basic	33.0	60.7	15.2	178.8
Dividends paid per share (cents)	14.0	14.0	56.0	42.0

Revenue in the Quarter was 14.9% higher than the comparative quarter due to a 7.8% increase in the quantity of gold sold and a 6.6% increase in the average realised price of gold sold.

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

Production costs increased by 29.4% in the Quarter compared to the comparative quarter. Production costs comprise the costs of electricity, labour and administrative costs and other costs such as insurance and security that are directly related to production. \$17.1 million of production costs were incurred at Blanket (Q3 2022: \$15.8 million) and \$3.4 million was incurred at Bilboes (Q3 2022: nil). Production costs, in conjunction with on-mine and all-in sustaining costs per ounce of gold sold are discussed in section 4.6.

Administrative expenses are detailed in note 9 to the Interim Financial Statements and include the costs of Caledonia's offices and personnel in Harare, Johannesburg, Bulawayo, 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 3.6% higher than the comparative quarter predominantly due to increased salaries and wages cost. Wages and salaries increased following the absorption of certain administrative and executive functions following the completion of the Bilboes transaction and an increase in headcount in the Mineral Resource Management team in Johannesburg to support the implementation of a digital resource modelling and mine planning system. The digital mine planning tools allow for more flexible mine planning which has already resulted in real-time amendments to the mine plan which should reduce future expenditure on capital development. An individual has also been recruited to improve the monitoring and reporting of the group's environmental footprint in recognition of the increased stakeholder scrutiny on this area from stakeholders. The depreciation charge in the Quarter increased because of increase in the depreciable cost base following the commissioning of the Central Shaft and the solar plant. A reassessment of the useful lives of some plant and equipment items also increased the depreciation charge. The useful life of the Jethro Shaft reduced due to increased reliance to be placed on the new Central Shaft in the future. Furthermore, the useful life of certain generators, load haul dumpers, dump trucks and drill rigs reduced due to their current condition (refer to note 14 of the Interim Financial Statements).

Other expenses are detailed in note 8 to the Interim Financial Statements.

Net foreign exchange movements relate to gains and losses arising on monetary assets and liabilities that are held in currencies other than the USD – principally the RTGS\$, but also the South African rand and the British pound. The net foreign exchange movement in the Quarter was lower than in the comparative quarter due to the relative stability of the RTGS\$ against the USD during the Quarter as set out in section 4.10.

The tax expense comprised:

<b>Analysis of consolidated tax expense/(credit) for the Quarter</b>					
<b>(\$'000's)</b>	<b>Zimbabwe</b>	<b>South Africa</b>	<b>UK</b>	<b>Bilboes</b>	<b>Total</b>
Income tax	2,571	123	-	-	2,694
Withholding tax					
Management fee	-	44	-	-	44
Deemed dividend	107	-	-	-	107
CHZ dividends to GMS-UK	-	-	-	-	-
Deferred tax	928	(41)	-	45	932
	<u>3,606</u>	<u>126</u>	<u>-</u>	<u>45</u>	<u>3,777</u>

The overall effective taxation rate for the Quarter was 39.8% (2022: 28.3%). The effective tax rate bears little relationship to reported consolidated loss before tax for the following reasons:

- Operating losses incurred at the Bilboes oxide mine cannot be offset against profits arising elsewhere in the group – thus they reduce consolidated profit before tax, with no commensurate reduction in



the consolidated tax expense;

- Zimbabwean taxable income is calculated in both RTGS\$ and USD, whereas the group reports in USD. Large devaluations in the RTGS\$ against the USD result in substantial foreign exchange movements on the RTGS\$ tax payable which have a significant effect on the income tax calculation;
- 100% of capital expenditure is tax deductible in the year in which it is incurred for tax purposes, whereas depreciation only commences when a project enters production; timing differences can alter the effective tax rate based on the capital expenditure for a quarter; and
- The rate of income tax in Jersey, which is the tax domicile of the parent company of the Group (i.e. the Company), is zero which means there is no benefit to be realised by offsetting expenses incurred in Jersey against taxable profits.

The effective taxation rate for Blanket was 26% (2022: 27%), which broadly corresponds to the enacted income tax rate in Zimbabwe which remained unchanged at 24.72%. Zimbabwe income tax payments are made in the same proportion of RTGS\$ and USD as revenue is received. Deferred tax predominantly comprises the difference between the accounting and tax treatments of capital investment expenditure. Most of the tax expense comprised income tax and deferred tax incurred in Zimbabwe.

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 Caledonia Holdings Zimbabwe (Private) Limited (“CHZ”) to the Company’s subsidiary in the UK Greenstone Management Services Holdings Limited (“GMS-UK”).

IFRS basic EPS for the Quarter decreased by 63.2% from a profit of 65.4 cents in the comparative quarter to a profit of 24.1 cents. Adjusted EPS for the Quarter excludes *inter alia* the effect of foreign net exchange movements and deferred tax. Adjusted EPS reduced by 45.5% from a profit of 60.7 cents in the comparative quarter to 33.0 cents for the Quarter. A reconciliation from IFRS EPS to adjusted EPS is set out in section 10.3.

A dividend of 14 cents per share was 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 section 17.

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

<b>Condensed Consolidated Statements of Cash Flows (Unaudited)</b>				
<b>(\$'000's)</b>				
	<b>3 months ended September 30</b>		<b>9 months ended September 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>Cash inflow from operations</b>	<b>16,963</b>	11,717	<b>17,629</b>	41,901
Interest received	<b>21</b>	7	<b>30</b>	10
Finance costs paid	<b>(331)</b>	(34)	<b>(1,762)</b>	(126)
Tax paid	<b>(2,158)</b>	(2,767)	<b>(4,504)</b>	(5,993)
<b>Net cash inflow from operating activities</b>	<b>14,495</b>	8,923	<b>11,393</b>	35,792
<b>Cash flows used in investing activities</b>				
Acquisition of property, plant and equipment	<b>(9,573)</b>	(10,840)	<b>(20,175)</b>	(33,585)
Acquisition of exploration and evaluation assets	<b>(597)</b>	(311)	<b>(880)</b>	(947)
Acquisition of put options	<b>(1)</b>	-	<b>(812)</b>	-
<b>Net cash used in investing activities</b>	<b>(10,171)</b>	(11,151)	<b>(21,867)</b>	(34,532)
<b>Cash flows from financing activities</b>				
Dividends paid	<b>(2,801)</b>	(2,709)	<b>(8,118)</b>	(7,197)
Payment of lease liabilities	<b>(36)</b>	(36)	<b>(108)</b>	(115)
Repayments gold loan	-	-	-	(3,698)
Proceeds from call options	-	415	-	239
Shares issued - equity raise (net of transaction cost)	-	-	<b>15,658</b>	-
Loan note instruments - Motapa payment	<b>(563)</b>	-	<b>(7,250)</b>	-
Loan note instruments - Solar bond issue receipts (net of transaction cost)	-	-	<b>7,000</b>	-
<b>Net cash from/(used in) financing activities</b>	<b>(3,400)</b>	(2,330)	<b>7,182</b>	(10,771)
<b>Net decrease in cash and cash equivalents</b>				
Effect of exchange rate fluctuations on cash and cash equivalents	<b>(1,209)</b>	(137)	<b>(1,396)</b>	(587)
Net cash and cash equivalents at beginning of the period	<b>(2,907)</b>	10,862	<b>1,496</b>	16,265
<b>Net cash and cash equivalents at end of the period</b>	<b>(3,192)</b>	6,167	<b>(3,192)</b>	6,167

Cash flows from operating activities in the Quarter are detailed in note 25 to the Interim Financial Statements. Cash inflows from operations before working capital changes in the Quarter were \$16.3 million, compared to \$13.7 million in the comparative quarter.

Cash flows from operations before working capital changes benefitted in the Quarter from higher production, partly offset by the high operating costs. Blanket continued to make a positive cash contribution of \$16.6 million (Q3 2022: \$16.7 million); the Bilboes oxide mine contributed a cash outflow of \$2 million (Q3 2022: nil).

Working capital decreased by \$0.7 million in the Quarter, which was primarily due to prepayments of \$3.4 million made to suppliers for the new tailings storage facility ("TSF") and an increase in gold work in progress inventory (2,277 ounces), which was sold to Al-EtiHAD Gold Refinery shortly after Quarter end.

Finance costs paid in the Quarter increased due to interest of \$18,000 on the loan notes which were issued in 2022 in part-consideration for the acquisition of Motapa, interest on the solar bonds discussed below of \$214,000 and interest of \$99,000 on overdraft facilities to accommodate working capital fluctuations at Blanket.

The acquisition of property plant and equipment relates to the investment at Blanket as discussed further in [section 4.7](#); the investment in exploration and evaluation assets relates to the Bilboes oxide mine acquisition and the ongoing exploration work at Motapa and Maligreen.

Dividends for the Quarter comprise \$2.7 million paid to shareholders of the Company. A dividend of 14 cents per share was announced on July 3, 2023.

The \$0.6 million loan note repayment in the Quarter represented the final loan note settlement payment in respect of the purchase of the Motapa exploration and evaluation project.

The effect of exchange rate fluctuations on cash held 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, 2022 prepared under IFRS.

<b>Summarised Consolidated Statements of Financial Position (Unaudited)</b>			
<i>(\$'000's)</i>	<i>As at</i>	<b>Sep-30</b>	<b>Dec-31</b>
		<b>2023</b>	<b>2022</b>
<b>Total non-current assets</b>		<b>265,813</b>	196,764
Inventories		<b>18,826</b>	18,334
Prepayments		<b>5,093</b>	3,693
Trade and other receivables		<b>5,749</b>	9,185
Income tax receivable		-	40
Cash and cash equivalents		<b>10,775</b>	6,735
Derivative financial assets		<b>684</b>	440
Assets held for sale		<b>13,397</b>	-
<b>Total assets</b>		<b>320,337</b>	235,191
<b>Total non-current liabilities</b>		<b>18,211</b>	9,291
Loan notes payable – short term portion		<b>665</b>	7,104
Lease liabilities – short term portion		<b>138</b>	132
Trade and other payables		<b>17,459</b>	17,454
Income tax payable		<b>2,841</b>	1,324
Cash-settled share-based payments - short term portion		<b>674</b>	1,188
Derivative financial liabilities		<b>22</b>	-
Overdraft		<b>13,967</b>	5,239
<b>Total liabilities</b>		<b>53,977</b>	41,732
<b>Total equity</b>		<b>266,360</b>	193,459
<b>Total equity and liabilities</b>		<b>320,337</b>	235,191

The acquisition of Bilboes increased the exploration and evaluation assets by \$73.3 million for the 9 months ended September 30, 2023. Property, plant and equipment additions at Blanket amounted to \$8.9 million in the Quarter and predominantly related to infrastructure development at 30 and 34 level and the construction of the new tailings storage facility at Blanket ("TSF").

Inventories include 2,277 ounces of gold which was held by Fidelity Gold Refinery (Private) Limited ("FGR") in transit to Al Etihad Gold Refinery DMCC ("AEG") which was sold in October 2023.

Prepayments represent deposits and advance payments for goods and services. \$1.1 million of prepayments related to construction work on the new TSF which is discussed in section 4.7. Prepayments further increased by \$1.2 million due to RTGS\$ suppliers requiring larger deposits to protect against the weakening of the RTGS\$ rate against the USD.

Trade and other receivables are detailed in note 18 to the Interim Financial Statements and include \$1.1 million (December 31, 2022: \$7.4 million) due from FGR in respect of the RTGS\$ component of the revenues arising on gold deliveries prior to the close of business on September 30, 2023. All outstanding amounts due from FGR were received in full after the end of the Quarter. \$3.7 million (December 31, 2022: \$1 million) was due from the Zimbabwe Government in respect of VAT refunds.

Overdrafts are used for short-term working capital funding requirements in Zimbabwe. Expiration dates and terms of the overdrafts are set out in [section 7](#) (Financing) and the overdraft facilities are expected to be renewed for 2024.

Most cash-settled share-based payments due to staff as at December 31, 2022 were settled in the first quarter. In April, 2023 the Company made awards of 79,894 Performance Units ("PUs") and 93,035 Equity-settled share-based payments ("EPUs") to certain management and employees within the Group pursuant to the provisions of the 2015 Omnibus Equity Incentive Compensation Plan ("OEICP"). 7,131 PUs were awarded

to certain management and employees within the Group during the Quarter. The short-term portion of the cash-settled share-based payment liability is in respect of awards made to certain employees at Caledonia, CMSA and Blanket in terms of the OEICP. The awards (other than those made to certain executive officers (the “NEOs”) in 2023 which only settle in shares) can be settled in cash or, subject to conditions, shares at the option of the recipient.

The table below illustrates the distribution of the consolidated cash across the jurisdictions where the Group holds its cash:

**Geographical location of net cash (\$'000's)**

As at	Dec 31, 2022	Mar 31, 2023	Jun 30, 2023	Sep 30, 2023
Zimbabwe	(2,160)	(9,749)	(7,373)	<b>(8,052)</b>
South Africa	694	1,107	834	<b>1,208</b>
UK/Jersey	2,962	11,831	3,632	<b>3,652</b>
Total net cash and cash equivalents	1,496	3,189	(2,907)	<b>(3,192)</b>

Assets held for resale comprises the book value of the solar project which is the subject of an ongoing sale process as discussed in section 4.11.

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

<b>(\$'000's except per share amounts)</b>	Dec 31, 2021	Mar 31, 2022	Jun 30, 2022	Sep 30, 2022	Dec 31, 2022	Mar 31, 2023	Jun 30, 2023	Sep 30, 2023
Revenue	32,136	35,072	36,992	35,840	34,178	29,435	37,031	<b>41,187</b>
Profit/(loss) attributable to owners of the Company	4,222	5,940	11,378	8,614	(8,029)	(5,030)	(513)	<b>4,506</b>
EPS – basic (cents)	33.3	44.6	87.7	63.3	(62.2)	(30.3)	(0.6)	<b>24.1</b>
EPS – diluted (cents)	33.3	44.6	87.7	63.3	(62.2)	(30.2)	(0.6)	<b>14.7</b>
Net cash and cash equivalents	16,265	14,430	10,862	6,167	1,496	3,189	(2,907)	<b>(3,192)</b>

## 4. OPERATIONS

### 4.1 Safety, Health and Environment

#### 4.1.1 Blanket

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

<b>Blanket mine Safety Statistics</b>								
<b>Classification</b>	<b>Q4 2021</b>	<b>Q1 2022</b>	<b>Q2 2022</b>	<b>Q3 2022</b>	<b>Q4 2022</b>	<b>Q1 2023</b>	<b>Q2 2023</b>	<b>Q3 2023</b>
Fatal	0	1	0	0	0	1	0	<b>0</b>
Lost time injury	2	0	2	1	1	0	5	<b>2</b>
Restricted work activity	1	0	1	1	2	6	7	<b>5</b>
First aid	0	2	3	0	0	1	0	<b>0</b>
Medical aid	8	6	3	1	2	4	0	<b>1</b>
Occupational illness	0	0	0	0	0	0	0	<b>0</b>
<b>Total</b>	<b>11</b>	<b>9</b>	<b>9</b>	<b>3</b>	<b>5</b>	<b>12</b>	<b>12</b>	<b>8</b>
Incidents	10	9	10	14	6	14	3	<b>10</b>
Near misses	2	4	7	6	1	4	4	<b>4</b>
Disability Injury Frequency Rate	0.24	0.12	0.36	0.22	0.33	0.80	1.35	<b>0.71</b>
Total Injury Frequency Rate	1.58	1.07	1.08	0.34	0.56	1.36	1.35	<b>0.81</b>
Man-hours worked (000's)	1,643	1,686	1,672	1,788	1,801	1,760	1,780	<b>1,982</b>

In August, 2023 Caledonia reported that an employee of a company contracted to Blanket died of injuries sustained in an accident at Blanket.

The number of incidents as reflected in the Total Injury Frequency Rate decreased in the Quarter. Blanket's safety performance compares favourably with other deep level underground gold mines; however, management believes the safety performance at Blanket could be better. The Nyanzvi 2 initiative (discussed below) is designed to increase safety awareness and reinforce strict adherence to prescribed safety procedures.

#### Nyanzvi Initiative

During the Quarter, Nyanzvi 1 training sessions were held for all the new employees including those reassigned from Bilboes. Nyanzvi 2 was launched in the Quarter with a focus on team and personal development, business skills, management systems (daily, weekly and monthly), incentives, monthly rewards and performance recognition. This programme addresses the skills shortages and behavioural and training deficits that contributed to production issues in the first half of the year. An industrial theatre group was established to improve safety behaviour with an emphasis on every employee being their co-workers' safety-keepers and practising "stop-think-fix-and-continue" methodology. This programme is strengthened through on-the-job-training of the poorly performing supervisors and teams by experienced mining professionals.

#### 4.1.2 Bilboes oxide mine

The following safety statistics have been recorded for the Quarter and the preceding quarter since acquisition.

<b>Bilboes Oxide Mine Safety Statistics</b>			
	<b>Q1 2023</b>	<b>Q2 2023</b>	<b>Q3 2023</b>
<b>Classification</b>			
Minor injury	0	2	<b>0</b>
Lost time injury	0	0	<b>0</b>
Occupational Health	0	0	<b>0</b>
Total	0	2	<b>0</b>
Incidents	9	15	<b>2</b>
Near misses	2	5	<b>2</b>
Lost Time Injury Frequency Rate	0	0	<b>0</b>

#### 4.2 Social Investment and Contribution to the Zimbabwean Economy – Blanket

Blanket's investment in community and social projects ("CSR") 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.

<b>Payments to the Community and the Zimbabwe Government (\$'000's)</b>						
<b>Period</b>	<b>Year</b>	<b>CSR Investment</b>	<b>Payments to GCSOT</b>	<b>Payments to Zimbabwe Government (excl. royalties)</b>	<b>Royalties</b>	<b>Total</b>
Year	2013	2,147	2,000	15,354	4,412	23,913
Year	2014	35	-	12,319	3,522	15,876
Year	2015	50	-	7,376	2,455	9,881
Year	2016	12	-	10,637	2,923	13,572
Year	2017	5	-	11,988	3,498	15,491
Year	2018	4	-	10,140	3,426	13,570
Year	2019	47	-	10,357	3,854	14,258
Year	2020	1,689	184	12,526	5,007	19,406
Year	2021	1,163	948	16,426	6,083	24,620
Year	2022	888	1,200	19,184	7,124	28,396
Q1	2023	258	-	3,769	1,471	5,498
Q2	2023	326	-	3,356	1,856	5,538
<b>Q3</b>	<b>2023</b>	<b>336</b>	<b>200</b>	<b>2,725</b>	<b>2,096</b>	<b>5,607</b>

CSR initiatives fall under seven pillars of education, health, women empowerment and agriculture, environment, charity, youth empowerment and conservation.

The main CSR programme at Blanket relates to the refurbishment of the maternity clinic, the primary and secondary schools and the youth centre at Sitezi, which is located approximately 17km from Blanket. Activities in respect of this project during the Quarter include:

- completing renovations of five classrooms, three offices, one computer laboratory, and one science laboratory at Sitezi Secondary School. The renovations included reglazing of all the classrooms, offices, and laboratory, furnishing the science laboratory with experimenting desks, laboratory stools, wall cupboards, chemical waste disposal channels and fossil display cabinets. The computer lab was also furnished with cubicles, desks, and chairs for the students and teacher. Ceilings were also put up in two classrooms and both laboratories.
- repairs to the clinic's water reticulation system were completed. Building materials were delivered to the Sitezi clinic for the construction of a waiting mothers' shelter in the Quarter.
- A small solar power plant will be constructed to supply the clinic, secondary school and primary school. The solar power will help maintain cold chains for medical supplies and samples at the clinic and provide lighting and energy supply to the clinic and the two schools for powering IT equipment such as computers and interactive boards. During the Quarter the overhead electricity line was installed to connect the clinic to the eventual site of the solar project.
- To ensure a secure and stable supply of water for the Guqukani Garden irrigation scheme, Blanket continued supplying irrigation water to the garden from Smiler shaft. The water augmentation project to connect four boreholes to the garden which began during the second quarter continued in the current quarter. Pipes for the pipeline were laid out, and connection to the national electricity grid is scheduled for the last quarter of 2023. The garden currently has 1 hectare of maize at knee level, 0.5 hectares of maize at germination stage, and 0.5 hectares of tomatoes that are sold locally.
- Work on upgrading the Sabiwa Stadium to meet the requirements of the Zimbabwe Football Association for Division 1/Premier Soccer League stadia in the country continued with the extension of the pitch and running tracks. The stadium, which had been used exclusively by Sabiwa High School, will cater for footballing activities for the entire local community.

Blanket undertook road repairs of the old Gwanda Road, patching the potholes on the road which had become a hazard. Further work is expected in the last quarter of 2023 as the rainy season commences.

Under the conservation pillar, Dambari Wildlife Trust was granted \$113,000 to carry out its work on conserving black and white rhinos in the Matopos Hills areas. The grant is disbursed in tranches at given periods throughout the year upon request. Dambari Trust is working with Victoria Falls Wildlife Trust as its subgrantee.

A dividend of \$200,000 was paid to GCSOT in the Quarter. GCSOT has a 10% shareholding in Blanket.



### 4.3 Gold Production – Blanket

Blanket mine Production Statistics					
	Year	Tonnes Milled (t)	Gold Head (Feed) Grade (g/t Au)	Gold Recovery (%)	Gold Produced (oz)
<b>Year</b>	<b>2020</b>	<b>597,962</b>	<b>3.21</b>	<b>93.8</b>	<b>57,899</b>
Q 1	2021	148,513	2.98	93.0	13,197
Q 2	2021	165,760	3.34	93.8	16,710
Q 3	2021	179,577	3.48	94.2	18,965
Q 4	2021	171,778	3.57	94.3	18,604
<b>Year</b>	<b>2021</b>	<b>665,628</b>	<b>3.36</b>	<b>93.9</b>	<b>67,476</b>
Q1	2022	165,976	3.69	94.1	18,515
Q2	2022	179,118	3.71	93.9	20,091
Q3	2022	198,495	3.53	93.6	21,120
Q4	2022	208,444	3.37	93.7	21,049
<b>Year</b>	<b>2022</b>	<b>752,033</b>	<b>3.56</b>	<b>93.8</b>	<b>80,775</b>
Q1	2023	170,721	3.11	93.8	16,036
Q2	2023	179,087	3.22	94.0	17,436
Q3	2023	208,902	3.46	93.7	21,772
October	2023	67,117	3.38	94.3	6,885

Gold production for the Quarter was 3.1% higher than the comparative quarter due to the higher tonnes mined and milled. 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.

### 4.4 Underground – Blanket

A record of 208,902 milled tonnes were achieved during the Quarter, which is 5.2% higher than the comparative quarter; the recovered grade for the Quarter was 1.98% below the grade in the comparative quarter. The increased production is due to the elimination of bottlenecks which were experienced in previous quarters such as big boulders due to poor blasting practices and tramming breakdowns. Production also benefitted from increased flexibility due to a higher number of available stope faces.

### 4.5 Metallurgical Plant

Recoveries in the Quarter were 93.7% compared to 93.6% in the comparative quarter; the tail grade of 0.192g/t was lower than achieved in previous quarters and demonstrates the efficiency of the metallurgical plant in terms of overall recoveries.

## 4.6 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 comparative 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 ounce<sup>3</sup>**, 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 ounce<sup>3</sup>**, which shows the on-mine cost per ounce *plus* royalty paid, additional costs incurred outside the mine (i.e., at offices in Harare, Bulawayo, 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 awards made to employees under the OEICP less silver by-product revenue; and
- iii. **All-in cost per ounce<sup>3</sup>**, 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).

<b>Cost per ounce of gold sold</b>												
<b>(US\$/ounce)</b>												
	<b>Bilboes Oxide</b>				<b>Blanket</b>				<b>Consolidated</b>			
	<b>3 months</b>		<b>9 months</b>		<b>3 months</b>		<b>9 months</b>		<b>3 months</b>		<b>9 months</b>	
	<b>ended Sep 30</b>		<b>ended Sep 30</b>		<b>ended Sep 30</b>		<b>ended Sep 30</b>		<b>ended Sep 30</b>		<b>ended Sep 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
On-mine cost per ounce <sup>3</sup>	<b>2,895</b>	-	<b>4,647</b>	-	<b>817</b>	734	<b>900</b>	709	<b>928</b>	734	<b>1,056</b>	709
All-in sustaining cost per ounce <sup>3</sup>	<b>2,990</b>	-	<b>4,744</b>	-	<b>1,171</b>	962	<b>1,191</b>	933	<b>1,268</b>	962	<b>1,339</b>	933
All-in cost per ounce <sup>3</sup>	<b>3,059</b>	-	<b>6,041</b>	-	<b>1,438</b>	1,454	<b>1,460</b>	1,534	<b>1,525</b>	1,454	<b>1,650</b>	1,534

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

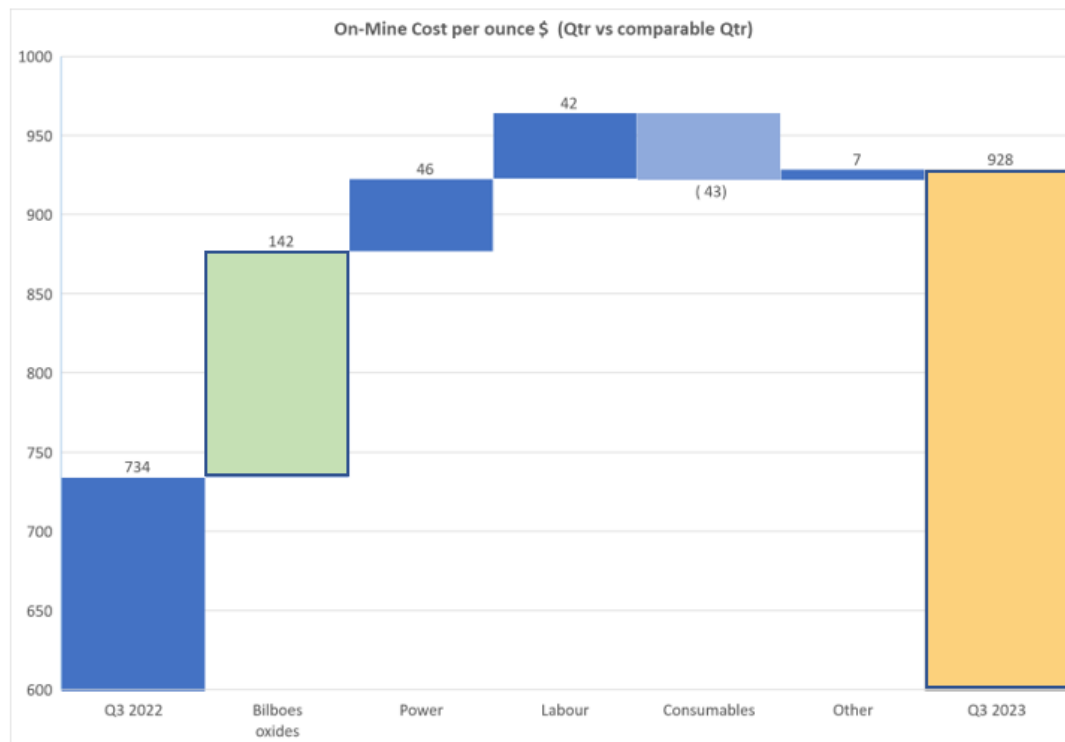
### On-mine cost

On-mine cost comprises labour, electricity, consumables, and other costs such as security and insurance which are directly related to production. Production costs are detailed in note 7 to the Interim Financial Statements. On-mine cost includes the procurement margin paid to CMSA and represent a fair value that Blanket would pay for consumables if they were sourced from a third party.

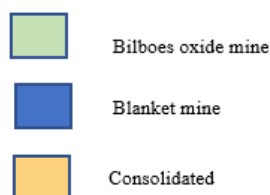
On-mine cost per ounce for the Quarter was 26.4% higher than the comparative quarter due to the increased production costs as discussed in section 3 of this MD&A.

The increase in on-mine cost per ounce compared to the comparative quarter is illustrated in the graph below.

<sup>3</sup>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.



\* Calculated over consolidated ounces and not individual mine ounces as per section 10.



The cost of oxide mining at Bilboes contributed \$142 per ounce to the overall increase in the on-mine cost per ounce. The large amount of waste that was moved to access the oxide mineralisation proved costly and Bilboes had an on-mine cost of \$2,895 per ounce in the Quarter. Due to the oxide mining activities incurring losses, it was placed on care and maintenance at the end of September 2023. The net book value of the Bilboes oxide mine of \$851,000 was impaired in the second quarter of 2023, as the oxide mine could not be run economically without including the sulphide project and justify the waste removal for the optimum pit design over more ounces. Leaching of the oxide ore on the heap leach pad will continue until the end of the year to recover gold deposited on the leach pad prior to the termination of oxide mining. Bilboes is discussed further in section 4.9.

Production costs at Blanket for the Quarter increased from the comparative quarter by 8.1% and Blanket's on-mine cost increased by 11.3% from \$734 per ounce in the comparative quarter to \$817 per ounce in the Quarter. Production costs at Blanket for the Quarter increased due to the higher than anticipated use of electricity due to the continued heavy use of infrastructure such as the No. 4 Shaft and Jethro Shaft which had been expected to be used more sparingly following the commissioning of the Central Shaft. Management is reviewing what shafts and machinery could be shut down or used more efficiently, thereby reducing power consumption in 2024.

In April 2023 Blanket concluded a power supply agreement with the Intensive Energy Users Group ("IEUG") and the Zimbabwean power utility to allow the IEUG to obtain power outside Zimbabwe which is "wheeled" to the IEUG members. During the Quarter Blanket paid less for IEUG sourced energy but the incidences of power outages and low voltage occurrences did not reduce due to the poor condition of the Zimbabwe grid which meant that diesel costs were incurred to supplement the low voltage occurrences. Notwithstanding the

foregoing, 401k litres of diesel were used in the Quarter compared to 677k litres in the comparable quarter, the reduction being due to the commissioning of the solar plant in early 2023. Management is conducting a study on how to alleviate the effect of the low voltage occurrences in the most economical manner.

The benefit of the solar plant is not recognised in on-mine cost because the solar plant (which is 100% owned by Caledonia) sells power to Blanket at a price per kilowatt/hour which reflects Blanket's historic blended cost per unit of power. The economic benefit of the solar plant is therefore recognised by Caledonia, rather than by Blanket, and the benefit (\$38 per ounce of gold produced) is reflected in the AISC rather than the on-mine cost. The solar plant had the added benefit of stabilising the Blanket electrical grid by improving the power factor and in turn reducing generator usage to supplement reactive power.

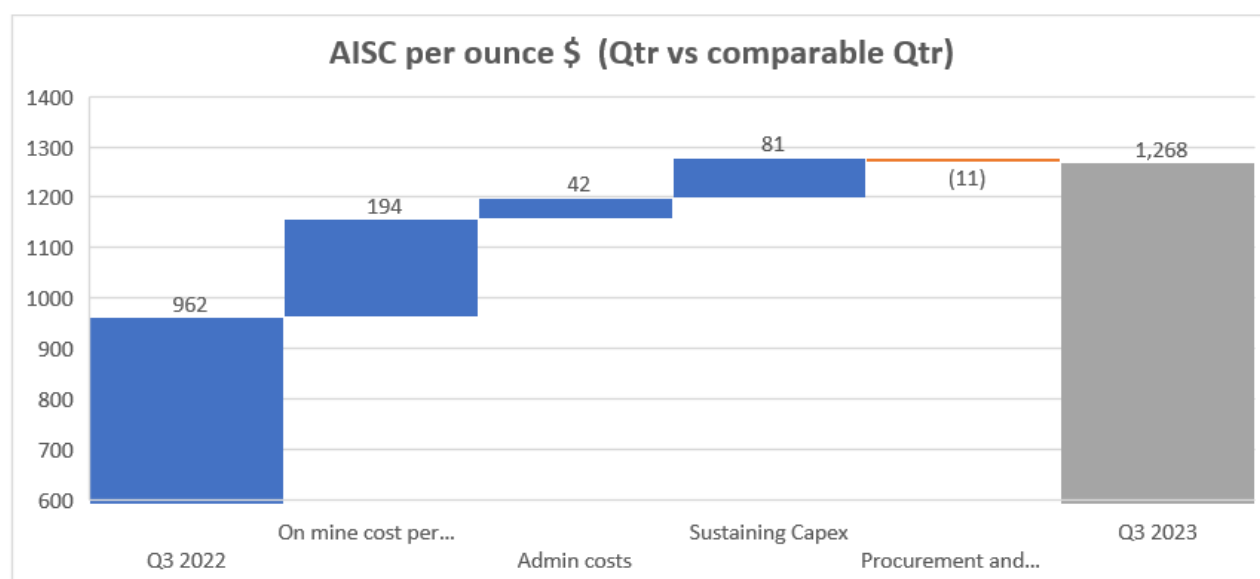
Labour costs at Blanket increased during the Quarter due to increased overtime hours, increased employment numbers at Blanket and inflationary increases. Management is investigating measures to utilise its workforce more efficiently and reduce overtime in future quarters.

Consumable costs per ounce at Blanket in the Quarter increased compared to the comparative quarter due to the cost to truck ore from the Central shaft to the metallurgical plant which is located close to the No. 4 Shaft area and increased explosive costs. Management is performing a cost study to assess the benefit of installing a conveyor to transport ore from Central Shaft to the metallurgical plant; an investigation has started to improve blasting techniques.

Various government service payments increased in the Quarter compared to the comparative quarter which increased on-mine cost by \$8 per ounce compared to the comparative quarter.

### All-in sustaining cost

All-in sustaining cost includes *inter alia* administrative expenses incurred outside Zimbabwe and excludes the intercompany procurement margin and the benefits of solar power as this reflects the consolidated cost incurred at the Group level. Accordingly, the all-in sustaining cost can only be calculated at a consolidated level and not at the level of individual operations. The all-in sustaining cost per ounce for the Quarter was 31.8% higher than the comparative quarter due to the higher on mine costs, a higher royalty cost per ounce due to the higher realised gold price and higher sustaining capital expenditure and sustaining administrative costs. This was mitigated somewhat by an increase in the intercompany procurement margin (which is deducted from on-mine cost for the purposes of calculating the consolidated AISC). The increase in AISC per ounce in the Quarter compared to the comparative quarter is illustrated in the graph below:



## **All-in cost**

All-in cost includes investment in expansion projects at Blanket and Bilboes 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 – Blanket**

The main capital development project is the infrastructure which will allow for three new production levels (26, 30 and 34 levels); a fourth level (38 level) is to be added in due course via a twin decline that commenced in February this year. 5,942 development metres were achieved in the Quarter compared to 5,207 metres in the previous quarter.

Work on key development areas in the Quarter are detailed below:

- 30 and 34 level development: the northern and southern haulages on 30 and 34 level progressed well for the Quarter with a total advance of 557m. The 30-level northern haulage is within 100m of reaching the Eroica orebody.
- Eroica decline 3: the decline development has been behind schedule due to logistical issues but in the Quarter there was an improvement with an advance of 132m. The target is to reach 900m in Quarter 4 whereupon development will be stopped to cater for up-dip development from 990m (30 level), which is expected to result in a saving against planned capital expenditure in 2024. This real-time modification to the mine plan was enabled by the recent introduction of the digital resource and mine planning software.
- 930 2 Orebody Hanging Wall Haulage (“2OBHW”): the development of the haulage progressed well in the Quarter with an advance of 163m. The haulage will continue so that the southern extension of the 2OBHW can be exposed for production. The haulage is also important for the establishment of an access crosscut to link 6 Shaft on 930m and will present an opportunity to utilise the shaft.
- 34 – 38 level twin declines: the twin declines are earmarked to access the Blanket orebodies on 38 level. The development of the declines will open mining areas below 34 level with one serving as an access route where a chairlift system will be installed, and the other as a return airway system where a conveyor system will be installed. In the Quarter a total advance of 289m was achieved.
- 35 level Central Shaft: at 34 and 35 level Central Shaft clear and dirty water dams are still under construction and are expected to be completed by the end of the fourth quarter.
- 35 level conveyor: the installation of hydraulic power packs and cylinders was completed during the Quarter. The outstanding work is the subsequent conversion of the spillage loading system from compressed air to hydraulics. The removal of accumulation of spillage in the shaft is going to be attended to in the fourth quarter of 2023.

The existing TSF at Blanket is reaching the end of its life; accordingly, a new TSF is required to allow production to continue. The design parameters for the new facility include:

- capacity of 13 million tonnes which is anticipated to be adequate for 14 years of production at current deposition rate;
- “upstream” design, due to the limited space;
- clear water dam and tailings facility will be lined with a double lining (geotextile and clay liner) and polyurethane liner respectively to avoid contamination of ground water;
- the design includes new piping and new pumps for a gland service water and return water system with instrumentation;
- new boreholes for monitoring around the facility; and
- a waste embankment between the TSF and the village for dust prevention.

The anticipated cost of the new TSF is \$25.1 million which will be incurred over a period of 3 years. Work on the TSF commenced in March 2023 and the first phase of the project was expected to be completed by the end of the Quarter. The project is behind schedule due to resourcing by the contractor and changes in the design by an external consultant. The contractor had to change the program slightly to re-focus on the lowest areas of the TSF basin to allow limited deposition on the new TSF by end of October 2023 in parallel with further deposition onto the existing TSF until it reaches its maximum capacity. Deposition on the new TSF commenced after the end of the Quarter; the delay in the project is not expected to have any impact on production and the project remains within budget.

#### **4.8 Indigenisation**

As set out in previous MD&A's, 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.

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 September 30, 2023 was \$13.4 million (December 31, 2022: \$15 million). 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.

The final payment to settle the advance dividend loan to GCSOT was made on September 22, 2021. Dividends to GCSOT after that date are 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 6 to the Interim Financial Statements.

## 4.9 Bilboes

### *Sulphides feasibility study*

The main objective at Bilboes is to construct a large, open-pit operation to extract sulphide mineralisation. A feasibility study in respect of the Bilboes sulphide project was prepared by the previous owners which targeted mine and processing operations to produce an average of 168,000 ounces of gold per annum over a 10-year life of mine.

Caledonia has commissioned its own feasibility study for the sulphide project reflecting the prevailing economic environment for capital and operating costs and a revised outlook for the gold price. The new feasibility study will identify the most judicious way to commercialise the project in terms of maximising the uplift in value for Caledonia shareholders and this may result in the project potentially being implemented on a phased basis.

Work to refresh the existing feasibility study for a large-scale project is well-advanced. However, the development of feasibility for an alternative, smaller scale initial project is effectively a new project which requires inter alia new pit designs and a completely different approach to the processing and metallurgical plant. Accordingly, this second approach will take longer to prepare, and the initial results will be to the level of a Preliminary Economic Analysis. The preliminary results of this second exercise are expected in early 2024 after which an indeterminate period will be required to review and, if necessary, optimise the preliminary output. Management needs to await the results of both studies (i.e. large scale and small scale) before it can identify the most effective development route from the perspective of optimal capital allocation.

### *Oxide mining activities*

In the fourth quarter of 2022, a small operation was started to mine and process oxide mineralisation at Bilboes. The oxide mining activities were restarted predominantly with the objective to generate cash flows to pay for the existing cost structures at Bilboes Holdings (Private) Limited ("Bilboes Holdings"), the operating company for Bilboes, and this would have an added benefit of reducing the waste-stripping required for the later planned sulphide project. The oxide mine was expected to produce between 12,500 and 17,000 ounces of gold in 2023 at an on-mine cost of between \$1,200 and \$1,320 per ounce.

As disclosed in the previous quarter, the target mineralisation area which had been identified using old information obtained from the previous owners (i.e. not the vendors from whom Caledonia purchased the project) was found not to exist. Mining activity moved to other target areas in the Quarter where the target oxide mineralisation is based on relatively recent drill data for the oxide mineralisation. However, the large amount of waste-stripping that needed to be done to access the oxide production areas proved too costly. Accordingly, to prevent further operating losses, the oxide mining activities were placed on care and maintenance at the end of September 2023. Oxide mining activities will resume in due course in conjunction with the larger sulphide project. Leaching of ore placed on the heap leach will continue until December 2023, but this will not have a material effect on Caledonia's future financial performance.

Production and cost guidance for the oxide mining activities was withdrawn in the previous quarter.

<b>Bilboes Oxides: Operating Statistics</b>			
		<b>3 months to September 30, 2023</b>	<b>9 months to September 30, 2023</b>
Waste mined	(t)	518,865	2,019,437
Ore mined	(t)	60,154	154,050
Ore grade	(g/t)	1.13	1.15
Contained gold	(g)	67,732	177,216
Gold sales	(g)	35,792	72,894
Gold sales	(oz)	1,151	2,344
Strip Ratio		8.6	13

#### 4.10 Zimbabwe Commercial Environment

##### *Monetary Conditions*

The current situation in Zimbabwe can be summarised as follows:

- Blanket produces ore gold that it is obliged to deliver to FGR, a subsidiary of the RBZ, which refines the gold to a purity of 99.5% on a toll-treatment basis for 75 per cent of its production. Caledonia retains ownership of the gold at this stage. 75% of Blanket's gold is exported by Caledonia to a refiner of its choice outside Zimbabwe which undertakes further processing and sells the resulting gold on the international market. During the Quarter, all gold exports were sent to Al Etihad Gold Refinery DMCC in Dubai. The sale proceeds for the gold exported and sold via the offshore refiner is paid to Blanket's commercial bankers in Zimbabwe within 48 hours of delivery. Management believes this new sales mechanism reduces the risk associated with selling and receiving payment from a single refining source in Zimbabwe. It also creates the opportunity to use more competitive offshore refiners and it may allow for the Company to raise debt funding secured against offshore gold sales. 25% of Blanket's gold is sold to FGR at a price which reflects the prevailing London Bullion Market Association price and the official RTGS\$/USD exchange rate on the date of sale. Payment is made by FGR to Blanket in RTGS\$ within 14 days of the sale. FGR deducts 1.25% from the gross sale proceeds and a further 5% in respect of the royalty on gold sales which is payable to the Government of Zimbabwe and deducted from USD and RTGS\$ revenues proportionately.
- From August 2023 Caledonia was allowed to participate in the RBZ auction market to exchange surplus RTGS\$ to USD at, an exchange rate that was similar to the exchange rate at which Caledonia received the portion of its revenues that are paid in RTGS\$ to pay in-country operating expenditures in USD and to make payments outside Zimbabwe. The Group was granted a letter of credit to convert the RTGS\$ balances at Quarter end to foreign currency.
- The interbank RTGS\$/USD exchange rates at each quarter end and at the latest practicable date prior to the publication of this MD&A are set out below.

<b>Interbank Exchange Rates (RTGS\$:US\$1)</b>	
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 31, 2021	108.66
March 31, 2022	142.42
June 30, 2022	370.96
September 30, 2022	621.89
December 31, 2022	684.33
March 31, 2023	913.67
June 30, 2023	5,739.80
September 30, 2023	5,466.75
October 31, 2023	5,698.96



### ***Electricity supply***

The poor quality of electricity supply from the Zimbabwe Electricity Supply Authority (“ZESA”) is the most significant production risk at Blanket. During the Quarter, Blanket experienced interruptions to its power supply from the grid due to an imbalance between electricity demand and supply.

The supply from the grid is also subject to frequent surges and dips in voltage which, if not controlled, may cause severe damage to Blanket’s electrical equipment. The continued deterioration in the ZESA supply means that the power factor regularly fell to 60%, which meant that Blanket was effectively paying for 100% of the power but received only 60% and the power supply is subject to outages.

In the absence of equipment to control these surges, Blanket needs to switch to diesel power to allow mining and processing activity to continue, but generator use increases production costs and capital expenditure.

The following initiatives have been implemented by Blanket to alleviate the power challenges:

- Over recent years it 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.
- Installed two 10MVA auto tap transformers on the ZESA supply line to protect equipment at No. 4 Shaft and the main metallurgical plant from voltage fluctuations on the incoming grid supply.
- Two further 10MVA auto tap transformers were installed to protect equipment at Central Shaft.
- Caledonia’s 12.2Mwac solar plant, fully commissioned in early February 2023, provides approximately 24% of Blanket’s average daily electricity demand. The plant has been providing power to Blanket from its initial connection to the Blanket grid in November 2022. The project was completed at a cost of \$14.2 million in 2023 (cost includes construction costs and other project planning, structuring, funding and administration costs). This is discussed further in section 4.13.
- In April 2023 Blanket entered into a power supply agreement with the IEUG and the Zimbabwean power utility to allow the IEUG to obtain power outside of Zimbabwe and strengthen the Zimbabwean power grid. As a result of this arrangement, Blanket has paid a lower tariff for IEUG supplied energy from April 2023 but it has not improved the power quality received at Blanket due to the continued difficulty with the Zimbabwe grid.

Management is investigating options to alleviate the instability in the utility supply and further reduce the cost of diesel generator usage to supplement low voltage occurrences and power outages. Further investigations are in process to reduce Blanket's overall electricity consumption by utilizing the available shafts and machinery more efficiently.

### ***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 2022/2023 rainy season has been adequate, and management believes the 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% 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. On October 9, 2022, the Zimbabwean government announced that 50% of royalty payments will be payable in gold. The announcement was effective October 1, 2022 but no guidance has been received from government on how this will be implemented. Management does not expect a material effect due to this announcement.

- With effect from February 4, 2022 the 5% royalty was payable in the same proportions of currencies as revenues are received.
- Income tax is levied at 24.72% (2022: 24.72%) on taxable income as adjusted for tax deductions. The main adjustments to taxable income 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 accounts prepared in USD and RTGS\$ with actual payments split between USD and RTGS\$ based on the proportions in which income was received. Large devaluations in the RTGS\$ to the USD reduce the deferred tax liability a significant portion of which was translated at a rate of 1USD:1RTGS\$.
- 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.

#### **4.11 Solar project**

As noted in section 4.10, 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. In 2020, the Caledonia board approved the project and 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. Caledonia's 12.2 Mwac solar plant was connected to the Blanket grid in November 2022 and was fully commissioned in early February 2023 at a construction cost of \$14.2 million. At the date of the approval of this MD&A the plant provides approximately a quarter of Blanket's total electricity requirement during the day.

In December 2022, the Caledonia board approved a proposal for Caledonia Mining Services (Private) Limited ("CMS") (which owns the solar plant) to issue bonds up to a value of \$12 million in the form of loan notes (the "solar bonds"). The decision was taken to optimise the capital structure of the Group and provide additional debt instruments to the Zimbabwean financial market. The bonds have an interest rate of 9.5% payable bi-annually and have a tenor of 3 years from the date of issue. The bond repayments are guaranteed by the Company and up to the date of this MD&A \$7 million of bonds have been issued to Zimbabwean commercial entities by CMS.

Due to the unique operating environment in Zimbabwe and Caledonia's significant in-country expertise, Caledonia opted to build the solar plant using its own resources rather than relying on an external party to build and own the solar plant using its financial resources and selling the resultant power to Blanket on a long-term contract. Accordingly, Caledonia constructed the solar plant using its own financial resources at a cost of \$14.2m. As the solar plant is now fully commissioned and is working as planned, Caledonia no longer needs to own the solar project, provided it retains long term access to the power it produces.

In the second quarter of 2023 management embarked on a process to sell the solar plant. Various offers were received, and a counterparty has been given exclusivity to conduct due diligence and further negotiate the sale of the plant after proving their ability to operate and fund solar plants of similar size and complexity. Management is in an advanced stage of finalising the contractual arrangements to sell the solar plant whereby the new owners will exclusively supply Blanket mine with electricity from the current plant, on a take-or-pay basis. This transaction is expected to realise a profit on Caledonia's investment in the plant and release cash for reinvestment in Caledonia's core business of gold mining that should yield higher returns to our shareholders.

The solar asset was re-classified as held for sale as at September 30, 2023 in the Interim condensed consolidated financial statements. \$7 million of solar bonds that were issued in the previous quarter by CMS will be transferred elsewhere in the Caledonia group prior to the sale of CMS so that Caledonia can maintain and develop the relationship with the Zimbabwean institutional holders of the bonds.

#### **4.12 Opportunities and Outlook**

##### ***Production Guidance***

Consolidated production guidance for Blanket in 2023 is unchanged at between 75,000 – 80,000 ounces. Production guidance of 12,500 – 17,000 ounces from the Bilboes oxide mine was withdrawn in April 2023.

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***

The on-mine cost per ounce at Blanket in the Quarter was \$817 which is within the guidance range of \$770 to \$850 per ounce. However, due to the higher cost per ounce incurred in the first 6 months of the year, it is expected that on-mine cost per ounce at Blanket will be in the range of \$850 and \$920 per ounce for the 12 months of 2023. Management is pursuing initiatives to reduce costs per ounce through more efficient use of electricity and labour. Guidance for cost per ounce at the Bilboes oxide mine was withdrawn in April 2023 when production guidance was also withdrawn.

Guidance for consolidated AISC per ounce was between \$1,150 and \$1,250 per ounce. AISC is significantly affected by activities at the Bilboes oxide mine in respect of which production and cost guidance has been withdrawn. Accordingly, guidance for AISC is re-stated to exclude production and related production costs at Bilboes oxide mine. AISC ***excluding bilboes oxides*** is expected to be in the range of \$1,130 to \$1,230 per ounce for the 12 months to December 31, 2023.

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 2023 is budgeted to be \$31.9 million (inclusive of CMSA's mark-up). Capital expenditure includes:

- New TSF (first phase) - \$12.7 million;
- Capital development at 30 and 34 levels - \$9.8 million;
- Utilities for the Central Shaft infrastructure - \$3.3 million;
- Information technology infrastructure - \$1 million;
- Electrical engineering - \$1.4 million;
- Mill and surface engineering - \$2.6 million; and
- Staff housing - \$500,000.

### ***Strategy***

The immediate strategic focus is to:

- maintain production at Blanket at the targeted range of 75,000 - 80,000 ounces for 2023 and at a similar level in 2024;
- continue deep level drilling at Blanket with the objective of further upgrading inferred mineral resources, thereby extending the life of mine;
- complete the Caledonia feasibility study on the Bilboes sulphide project to determine the best implementation strategy and estimate the funding requirements and commence development of the sulphide project; and
- commence exploration at Motapa.

## 5 EXPLORATION

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

### Blanket

Encouraging results were received during the Quarter from the ongoing underground drilling program at Blanket which currently targets the Eroica and Blanket ore bodies. Initial results from the drilling at Eroica were announced on July 10, 2023 and indicate that, in general, the Eroica ore body has better grades and widths than expected.

#### Highlights of the results include:

Hole Identifier	Orebody Name *	Orebody Intersection		Core Length (m)	True width (m)	Gold Grade (g/t)	Orebody Intersection depth from surface (m)	End of Hole Depth (m)
		From (m)	To (m)					
ERC750EX2303	ERCN_HW	262.7	278.3	15.6	8.6	15.56	891.4	356.3
ERC750EX2301	ERCN_HW	263.8	281.2	17.4	13.44	6.62	914.9	352.2
ERC750EX2206	ERCN_HW	203.9	246.5	42.6	22.32	4.03	870.3	281.3

\* ERCN\_HW - Eroica North Hanging Wall

The complete drilling results and locations are provided on the Company website: [https://polaris.brighterir.com/public/caledonia\\_mining/news/rns\\_tool/story/w3j603x](https://polaris.brighterir.com/public/caledonia_mining/news/rns_tool/story/w3j603x).

Craig James Harvey, MGSSA, MAIG, Caledonia Vice President, Technical Services, reviewed and approved the scientific and technical information contained in the announcement of the results. Craig James Harvey is a "Qualified Person" as defined by each of (i) the Canadian Securities Administrators' National Instrument 43-101 - Standards of Disclosure for Mineral Projects and (ii) and the United States Securities and Exchange Commission's Subpart 1300 of Regulation S-K ("Subpart 1300").

Drilling continues at the Blanket ore bodies and the results are expected to be published early in 2024.

### Motapa

Substantive exploration work at Motapa can commence after an Environmental Impact Assessment ("EIA") has been approved by the Zimbabwe authorities. An EIA report was submitted in July 2023 and certification was received in August 2023 paving way for exploration work to commence.

The Motapa exploration program entails the exploration of the deeper lying sulphide mineralisation at Motapa and will be achieved through a combination of reverse circulation and diamond drilling. It is planned to commence at a later date still to be determined.

## 6. INVESTING

An analysis of investments is set out below.

(\$'000's)	2020 Year	2021 Year	2022 Year	2023 Q1	2023 Q2	2023 Q3
<b>Property, plant and equipment</b>						
Blanket	24,315	29,323	34,267	2,610	5,938	<b>8,942</b>
Solar	372	1,581	12,198	16	-	<b>18</b>
Other	91	365	967	485	70	<b>82</b>
Total investment – Property, plant and equipment	24,778	31,269	47,432	3,111	6,008	<b>9,042</b>
<b>Exploration and evaluation assets</b>						
Bilboes	-	-	-	73,198	-	<b>130</b>
Connemara North	300	163	4	-	-	-
Glen Hume	2,661	1,176	-	-	-	-
Maligreen	-	-	1,430	144	59	<b>12</b>
Motapa	-	-	7,844	-	81	<b>1,628</b>
Other Satellite properties	97	243	120	-	-	-
Total investment – Exploration and evaluation assets	3,058	1,582	9,398	73,342	140	<b>1,770</b>

Investment in property, plant and equipment at Blanket is discussed in section 4.7 of this MD&A; investment in exploration and evaluation assets is as set out in section 5.

## 7. FINANCING

Operating and investing activities at Blanket in the Quarter were funded by Blanket's operating cashflows and from Blanket's overdraft facilities which were as set out below at September 30, 2023.

<b>Overdraft facilities</b>						
<b>Lender</b>	<b>Date drawn</b>	<b>Principal value</b>	<b>Balance drawn at September 30, 2023</b>	<b>Repayment terms</b>	<b>Security</b>	<b>Expiry</b>
Stanbic Bank Limited	Jan-23	RTGS\$350 million	Nil	On demand	Unsecured	Feb-24
Stanbic Bank Limited	Jan-23	\$4 million	\$3.75 million	On demand	Unsecured	Feb-24
CABS Bank	Sept-23	\$2 million	\$375,000	On demand	Unsecured	Jul-24
Ecobank	Nov-22	\$7 million	\$4.7 million	On demand	Unsecured	Oct-23
Nedbank	Apr-23	\$7 million	\$5.09 million	On demand	Unsecured	Apr-24

There were no issues of equity or loan notes in the Quarter.

## Hedging

On May 22, 2023 the Company purchased put options to hedge 28,000 ounces of gold from June to December 2023, at a strike price of \$1,900 per ounce. The put options were entered into to protect the Company against gold prices lower than the strike price over the period hedged.

On September 29, 2023 and October 6, 2023 the Company purchased two gold purchase options of 1,000 ounces each at a market price of \$1,875 and \$1,841 per ounce. The gold purchase options were purchased when the gold price was below \$1,900 per ounce at the date of gold revenue delivery. This was done to match the expiry date of the call options expiring on October 26, 2023 with the date of the gold sales from Blanket, and resulted in a profit of \$0.2 million.

## 8. LIQUIDITY AND CAPITAL RESOURCES

An analysis of Caledonia's capital resources is set out below.

<b>Liquidity and Capital Resources</b> <i>(\$'000's)</i>						
As at	Jun 30	Sep 30	Dec 31	Mar 31	Jun 30	Sep 30
	2022	2022	2022	2023	2023	2023
Net cash and cash equivalents	10,862	6,167	1,496	3,189	(2,097)	<b>(3,192)</b>
Net working capital	25,695	23,975	5,986	3,677	7,674	<b>18,758</b>

Movements in Caledonia's net cash, 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 are detailed in section 7. The Company's liquid assets as at September 30, 2023 plus anticipated cashflows exceeded 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 \$14 million which are not reflected as loans receivable for IFRS purposes (refer to note 6 of the Interim Financial Statements). The Company had the following contractual obligations at September 30, 2023:

<b>Payments due by period</b> <i>(\$'000's)</i>					
Falling due	Within 1 year	1-3 Years	4-5 Years	After 5 Years	Total
Trade and other payables	17,459	-	-	-	17,459
Provisions	-	947	556	6,929	8,432
Capital expenditure commitments	4,674	-	-	-	4,674
Lease liabilities	138	93	-	-	231
Cash-settled share-based payments	674	229	-	-	903
Loan notes	665	6,390	-	-	7,055

The capital expenditure commitments relate to materials and equipment which have been ordered by CMSA and which will be sold to Blanket.

Other than the proposed investment in 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 and the new TSF as 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. 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 September 30, 2023, the Group had liabilities for rehabilitation work on Blanket – if the mine is permanently closed – at an estimated discounted cost of \$2.8 million (December 31, 2022: \$2.8 million), Motapa's liability amounted to \$1.1 million (December 31, 2022: \$0) and Bilboes' liability amounted to \$4.5 million (December 31, 2022: \$0 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 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 Cost to Non-IFRS Costs per ounce**  
(\$'000's, unless  
otherwise indicated)

	Bilboes Oxides				Blanket m				Consolidated			
	3 months ended Sep 30		9 months ended Sep 30		3 months ended Sep 30		9 months ended Sep 30		3 months ended Sep 30		9 months ended Sep 30	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Production cost (IFRS)	3,366	-	10,892	-	17,086	15,802	50,136	44,663	20,452	15,802	61,028	44,663
COVID-19 labour and consumable expenses	-	-	-	-	-	(81)	-	(245)	-	(81)	-	(245)
Cash-settled share-based expense	-	-	-	-	(49)	(17)	(435)	(441)	(49)	(17)	(435)	(441)
Less exploration and safety costs	-	-	-	-	(302)	(258)	(856)	(748)	(302)	(258)	(856)	(748)
On-mine admin costs, employee incentives and intercompany adjustments	-	-	-	-	(2)	59	(164)	(583)	(2)	59	(164)	(583)
On-mine production cost*	3,366	-	10,892	-	16,733	15,505	48,681	42,646	20,099	15,505	59,573	42,646
Gold sales (oz)	1,163	-	2,344	-	20,486	21,120	54,090	60,168	21,649	21,120	56,433	60,168
<i>On-mine cost per ounce (\$/oz)</i>	2,895	-	4,647	-	817	734	900	709	928	734	1,056	709
Royalty	110	-	226	-	2,097	1,796	5,424	5,408	2,207	1,796	5,650	5,408
Exploration, remediation and permitting cost	-	-	-	-	8	(23)	38	89	8	(23)	38	89
Sustaining capital expenditure <sup>#</sup>	-	-	-	-	4,634	2,816	8,347	7,010	4,634	2,816	8,347	7,010
Sustaining administrative expenses <sup>&amp;</sup>	-	-	-	-	1,614	681	4,164	1,555	1,614	681	4,164	1,555

**Reconciliation of IFRS Production Cost to Non-IFRS Costs per ounce**  
(\$'000's, unless  
otherwise indicated)

	Bilboes Oxides				Blanket m				Consolidated			
	3 months ended Sep 30		9 months ended Sep 30		3 months ended Sep 30		9 months ended Sep 30		3 months ended Sep 30		9 months ended Sep 30	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Silver by-product credit	-	-	-	-	(35)	(26)	(89)	(88)	(35)	(26)	(89)	(88)
Cash-settled share-based payment expense included in production cost	-	-	-	-	49	17	435	441	49	17	435	441
Cash-settled share-based payment expense	-	-	-	-	27	25	298	335	27	25	298	335
Equity-settled share-based payment expense	-	-	-	-	233	94	564	176	233	94	564	176
Procurement margin included in on-mine cost*	-	-	-	-	(1,377)	(573)	(3,433)	(1,423)	(1,377)	(573)	(3,433)	(1,423)
All-in sustaining cost	3,476	-	11,118	-	23,983	20,312	64,429	56,149	27,459	20,312	75,547	56,149
Gold sales (oz)	1,163	-	2,344	-	20,486	21,120	54,090	60,168	21,649	21,120	56,433	60,168
<i>AISC per ounce (\$/oz)</i>	<i>2,990</i>	<i>-</i>	<i>4,744</i>	<i>-</i>	<i>1,171</i>	<i>962</i>	<i>1,191</i>	<i>933</i>	<i>1,268</i>	<i>962</i>	<i>1,339</i>	<i>933</i>
Non-sustaining administrative expenses <sup>&amp;</sup>	-	-	2,900	-	1,154	2,108	4,826	6,513	1,154	2,108	7,726	6,513
Permitting and exploration expenses	-	-	-	-	3	-	16	41	3	-	22	41
Covid 19 expenses	-	-	-	-	-	81	-	245	-	81	-	245
Non-sustaining capital expenditure <sup>#</sup>	80	-	140	-	4,328	8,210	9,674	29,372	4,408	8,210	9,814	29,372

# Reconciliation of IFRS Production Cost to Non-IFRS Costs per ounce

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

	Bilboes Oxides				Blanket m				Consolidated			
	3 months ended		9 months ended		3 months ended Sep		9 months ended		3 months ended		9 months ended Sep	
	Sep 30		Sep 30		30		Sep 30		Sep 30		30	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Total all-in cost	3,556	-	14,158	-	29,468	30,711	78,945	92,320	33,024	30,711	93,109	92,320
Gold sales (oz)	1,163	-	2,344	-	20,486	21,120	54,090	60,168	21,649	21,120	56,433	60,168
<i>All-in cost per ounce</i> <i>(\$/oz)</i>	3,059	-	6,041	-	1,438	1,454	1,460	1,534	1,525	1,454	1,650	1,534

\* 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 represents 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 cost and all-in cost as these numbers represent the consolidated costs at a group level, excluding intercompany profit margins.

& Administrative expenses relate to costs incurred by the Group to provide services for mining and related activities. From the last quarter of 2022 administrative expenses have been allocated between AISC and all-in cost. Prior years have been restated in the MD&A.

# Non-sustaining costs are primarily those costs incurred at 'new operations' and costs related to 'major projects at existing operations' where these projects will materially benefit the operation. All other costs related to existing operations are considered sustaining.

## 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.

<b>Reconciliation of average realised gold price per ounce</b>				
<b>(\$'000's, unless otherwise indicated)</b>				
	<b>3 months ended</b>		<b>9 months ended</b>	
	<b>Sep 30</b>		<b>Sep 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>Revenue (IFRS)</b>	<b>41,187</b>	<b>35,840</b>	<b>107,653</b>	<b>107,904</b>
Revenues from sales of silver	<b>(35)</b>	<b>(26)</b>	<b>(89)</b>	<b>(88)</b>
Revenues from sales of gold	<b>41,152</b>	<b>35,814</b>	<b>107,564</b>	<b>107,816</b>
Gold ounces sold (oz)	<b>21,649</b>	<b>20,091</b>	<b>56,433</b>	<b>60,168</b>
Average realised gold price per ounce (US\$/oz)	<b>1,901</b>	<b>1,783</b>	<b>1,906</b>	<b>1,792</b>

### 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. Adjusted earnings per share is calculated by deducting payments to Blanket Employee Trust Services (Private) Limited (“BETS”) (the company that owns 10% of Blanket’s shares on behalf of an employee trust), foreign exchange gains and losses, impairments, deferred tax and inventory write-downs from the profit attributable to the owners of the Company.

<b>Reconciliation of Adjusted earnings (loss) per share (“Adjusted EPS”) to IFRS Profit attributable to owners of the Company</b>				
<b>(\$’000’s, unless otherwise indicated)</b>				
	<b>3 months ended</b>		<b>9 months ended</b>	
	<b>September 30</b>		<b>September 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Profit for the period (IFRS)	<b>5,711</b>	10,195	<b>1,693</b>	31,193
Non-controlling interest share of loss for the period	<b>(1,205)</b>	(1,581)	<b>(2,729)</b>	(5,261)
<b>Profit (loss) attributable to owners of the Company</b>	<b>4,506</b>	8,614	<b>(1,036)</b>	25,932
BETS adjustment	<b>(182)</b>	(122)	<b>(217)</b>	(562)
Earnings (loss) (IFRS)	<b>4,324</b>	8,492	<b>(1,253)</b>	25,370
<i>Weighted average shares in issue (thousands)</i>	<b>17,969</b>	12,830	<b>18,457</b>	12,830
<i>IFRS EPS (cents)</i>	<b>24.1</b>	66.2	<b>(6.8)</b>	197.7
Add back (deduct) amounts in respect of foreign exchange movements				
Realised net foreign exchange losses	<b>(1,249)</b>	1,385	<b>4,811</b>	6,088
- less tax	<b>304</b>	(341)	<b>(1,188)</b>	(1,502)
- less non-controlling interest	<b>122</b>	(138)	<b>(478)</b>	(604)
Unrealised net foreign exchange gains	<b>1,506</b>	(2,944)	<b>(2,477)</b>	(12,728)
- less tax	<b>(403)</b>	568	<b>378</b>	2,955
- less non-controlling interest	<b>(157)</b>	265	<b>173</b>	1,245
<b>Adjusted IFRS profit excl. foreign exchange</b>	<b>4,447</b>	7,287	<b>(34)</b>	20,824
<i>Weighted average shares in issue (thousands)</i>	<b>17,969</b>	12,830	<b>18,457</b>	12,830
<i>Adjusted IFRS EPS excl. foreign exchange (cents)</i>	<b>24.7</b>	56.8	<b>(0.2)</b>	162.3
Add back (deduct) amounts in respect of:				
Reversal of BETS adjustment	<b>182</b>	122	<b>217</b>	562
Impairment of property, plant and equipment	<b>26</b>	184	<b>877</b>	197
Deferred tax	<b>1,335</b>	844	<b>1,411</b>	301
Non-controlling interest portion of deferred tax and impairment	<b>(153)</b>	(114)	<b>(249)</b>	(105)
Fair value losses on derivative financial instruments	<b>102</b>	(537)	<b>590</b>	1,160
<b>Adjusted profit</b>	<b>5,939</b>	7,786	<b>2,812</b>	22,939
<i>Weighted average shares in issue (thousands)</i>	<b>17,969</b>	12,830	<b>18,457</b>	12,830
<i>Adjusted EPS (cents)</i>	<b>33.0</b>	60.7	<b>15.2</b>	178.8

## 11. RELATED PARTY TRANSACTIONS

Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include directors and executive officers of the Company. The amounts paid by the Company for the services provided by key management personnel who are related parties have been determined by negotiation among the parties and are reviewed and approved by the Company's board. These transactions are in the normal course of operation.

The Company has entered into a consultancy agreement with Steve Curtis, a director of the Company and the former Chief Executive Officer, effective July 1, 2022 to December 31, 2023 with a monthly fee of US\$44,100 for the period July 1, 2022 until December 31, 2022 and US\$12,500 for the period January 1, 2023 until December 31, 2023. During the Quarter, the Company expensed US\$37,500 (2022: US\$ \$132,300 in advisory service fees).

## 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 September 30, 2023 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**

Exploration and evaluation assets are tested for impairment before the assets are transferred to mine development, infrastructure and other assets or when an indicator of impairment is identified. Exploration and evaluation assets are not depreciated.

The Group also makes assumptions and estimates regarding the technical feasibility and commercial viability of the mineral project and the possible impairment of E&E assets 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 e.g., such as the completion of a feasibility study indicating construction, funding and economic returns that are sufficient. Assumptions and estimates made may change if new information becomes available. If information becomes available suggesting that the recovery of expenditures is unlikely, the amount capitalised is written off in profit or loss in the period the new information becomes available. The recoverability of the carrying amount of exploration and evaluation assets depends on 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 10 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 mineral reserves (proven and probable) and mineral resources (measured, indicated and inferred) based on information compiled by a Qualified Person principally in terms of Canadian Securities Administrators' National Instrument 43-101 - Standards of Disclosure for Mineral Projects ("NI 43-101") and the United States Securities and Exchange Commission's Subpart 1300 of Regulation S-K ("Subpart 1300") 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-hole 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 Subpart 1300 and 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 mineral reserves and mineral 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**

On May 22, 2023 the Company purchased put options to hedge 28,000 ounces of gold from June to December 2023, at a strike price of \$1,900 per ounce. At Quarter end these put options were the only hedging option instruments that had not expired. The put options were entered into to protect the Company against gold prices lower than the strike price over the period hedged.

#### **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 predominantly relates to gold bullion sold before the end of the Quarter and VAT receivables. The amount due in respect of bullion sales was settled at the date of the MD&A. As discussed in section 4.10, before the end of the Quarter the Company commenced the export and sale of gold to an independent gold refiner outside Zimbabwe, which makes payment for the gold received directly into Caledonia's bank accounts in Zimbabwe. This mechanism means that the Company is no longer exposed to credit risk from FGR in respect of the US Dollar component of its sales.

#### **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 overdrafts have maturity dates that are expected to mature in under 9 months from approval date of this MD&A. 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 4.10 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'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 HISTORY**

<b>Declaration date</b>	<b>cents per share</b>
January 3, 2020	7.5
April 29, 2020	7.5
June 29, 2020	8.5
October 1, 2020	10.0
January 4, 2021	11.0
April 6, 2021	12.0
July 6, 2021	13.0
October 4, 2021	14.0
January 4, 2022	14.0
April 7, 2022	14.0
July 5, 2022	14.0
October 3, 2022	14.0
December 30, 2022	14.0
April 3, 2023	14.0
July 3, 2023	14.0
October 2, 2023	14.0

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**

There were no changes to management or the board during the period under review.

## 16. SECURITIES OUTSTANDING

At November 8, 2023, being the last day practicable prior to the publication of this MD&A, Caledonia had 19,188,073 common shares issued and the following outstanding options to purchase common shares (“Options”) granted in equal amounts to each of the employees of a PR consultant to the Company 3PPB LLC being P Chidley and P Durham:

Number of Options	Exercise Price	Expiry Date
10,000	CAD11.50	25-Aug-24
10,000	USD 9.49	30-Sep-29
20,000		

The OEICP allows that the number of shares reserved for issuance to participants under the OEICP, 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.

## 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.

- **Liquidity risk:** Caledonia currently has sufficient cash and operating resources, access to funding and continues to generate sufficient cash to cover all its anticipated investment needs.
- **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 its investment plan as scheduled. 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, as well as other projects including in particular Bilboes. 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 had a hedging arrangement in place for a portion of production for the period from December 2022 to May 2023, which has expired, and a subsequent arrangement for the period from May 2023 to December 2023. 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.
- **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 had been sold. With new mining areas having been acquired by the Group the incidence and possibility of illegal mining has increased, and there have been minor instances of illegal mining at Bilboes and Motapa. The Group is receiving adequate support and assistance from the Zimbabwean police.
- **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 and constructing a solar plant which provides approximately a quarter of Blanket's power requirements during the day. After the end of the Quarter, Blanket entered into an agreement for the direct import of power through the IEUG initiative. Production at Blanket has also been adversely affected by the instability of the incoming electricity supply. The Company has installed further auto-tap changers to increase the protection against power surges and it has further increased its diesel generating capacity.
- **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.
- **Zimbabwe 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 FGR, a company which is owned by the RBZ. In 2021, the Ministry of Finance announced a modification to the regulations that allow gold producers who are listed on the VFEX to export their incremental gold production. The Company has clarified the mechanism whereby this revised policy may be effected and the first

shipments and direct sale of gold in terms of these mechanisms was successfully completed in April 2023.

- **Other gold industry risks:** On June 27, 2023 the U.S. Department of State together with other U.S. government agencies issued an advisory in light of reports related to the role of illicit actors in the gold trade to (i) highlight the opportunities and specific risks raised by the gold trade across sub-Saharan Africa and (ii) encourage industry participants to adopt and apply strengthened due diligence practices to ensure that such malign actors are unable to exploit and benefit from the sector, which remains essential to the livelihoods of millions of people across sub-Saharan Africa. Caledonia acknowledges and concurs with the U.S. Department of States' warning that without adequate due diligence and appropriate mitigating measures, an industry participant may inadvertently contribute to one or more of these risks, including conflict and terror financing, money laundering activities, sanctions evasion, human rights and labour rights abuses and environmental degradation. Caledonia has robust policies in place to counter such risks including, amongst other things: a Code of Business Conduct, Ethics and Anti-Bribery Policy, a Human Rights Policy and Customer AML/KYC Policy, and it encourages whistleblowing and grievance reporting in order to monitor compliance. Caledonia performs enhanced due diligence on significant suppliers and other counterparties (including, but not limited to, sanctions and political exposure checks), has established new and robust routes to market for its gold production (none of which, for the avoidance of doubt, is artisanal) and has scrutinised the new refineries to which it now sells its gold. The Company reports its environmental, social and governance ("ESG") performance annually, disclosing key environmental data, supports artisanal miners in the form of tributing of gold claims (as well as the local community generally) and has adopted best practice in the construction of its new TSF. For more information in all of these areas, please refer to Caledonia's ESG reports.
- **South Africa:** the company has approximately 20 employees located in South Africa who provide technical and procurement services to Blanket; the group accounting function is also based in Johannesburg and a significant proportion of the consumables, capital equipment and specialist technical services that Blanket requires are procured in South Africa. South Africa will hold presidential, national and local elections in 2024 which may give rise to disruption to normal commercial activity. Management is exploring mechanisms to reduce this exposure for example by developing alternative procurement and logistics routes.

## 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 mineralisation being inaccurate, success of

planned metallurgical test-work, capital and operating costs varying significantly from estimates, delays in obtaining or failures to obtain required governmental, environmental or other project approvals, changes in government regulations, legislation and rates of taxation, inflation, changes in exchange rates, fluctuations in commodity prices, delays in the development of projects and other factors.

Security holders, potential security holders and prospective investors should be aware that these statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. Such factors include, but are not limited to: risks relating to estimates of mineral reserves and mineral resources proving to be inaccurate, fluctuations in gold price and payment terms for gold sold to FGR, 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 September 30, 2023. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that, at September 30, 2023, 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 September 30, 2023. Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that at September 30, 2023, the Company's ICFR was effective.

There have been no changes in the Company's ICFR during the period ended September 30, 2023 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 Subpart 1300 and NI 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.