



Gold



PGMs



Diamonds



Base Metals

Caledonia Mining 2nd Quarter Interim Results 2006

Toronto, Ontario – August 14, 2006: Caledonia Mining Corporation (“Caledonia”) (TSX: CAL, NASDAQ-OTCBB: CALVF and AIM:CMCL) is pleased to announce its key financial and operating results for the second quarter ended June 30, 2006. The financial results are reported in thousands of Canadian dollars except where otherwise stated.

Operational Highlights

Barbrook Gold Mine – South Africa

- Quarterly gold production increased 94% to 1,749 ounces over the previous quarter. However the two quarters are not truly comparable because of disruptions in January while the plant expansion was completed.
- Plant throughput has increased steadily reaching 12,397 tonnes in June, following completion of the plant expansion to 15,000 tonnes per month capacity from 6,000 tonnes per month.
- Production improvements continued during the second quarter. 32,133 tonnes were treated in the plant during the quarter, an increase of 66% over the first quarter.

Blanket Gold Mine - Zimbabwe

- Purchased the Blanket Gold Mine in Zimbabwe from Kinross Gold. The transaction closed on July 5, 2006 and the results for Q2 will not be consolidated for regulatory issues, despite the effective date of transaction being from 1 April 2006. Blanket's results will be incorporated from July 1, 2006.
- Quarterly gold production of 6,045 ounces.

Nama Cobalt Project - Zambia

- Ongoing evaluation of metallurgical process for this large cobalt oxide resource continued. Additional samples were extracted from the Nama “A” Discovery trench and dispatched to test facilities in China and South Africa for additional Wet High Intensity Magnetic Separation, flotation and pyrometallurgical testing. The results of all these tests are encouraging, additional tests are ongoing as are negotiations regarding multiple large long term off-take agreements.

Corporate/Financial

- During Q2 2006 the company completed a private placement. This placement raised \$3.92 million after expenses from the sale of 34,828,259 units. Each unit consists of one common share and one share purchase warrant. These funds will be used for general working capital and opportunities as they may arise.

PRESS RELEASE

For the quarter ended June 30, 2006 Caledonia recorded a net loss of \$2.9 million (\$0.007 per share) compared to a net loss of \$3.3 million (\$0.011 per share) for the same period in 2005 and a net loss of \$1.4 million (\$0.005 per share) in the second quarter of 2004. The loss in 2006 results from ongoing exploration costs, operations at Barbrook, and the normal administration expenses during the quarter.

Reviewing the quarter, Stefan Hayden, President and CEO, said "The acquisition of the Blanket Gold Mine in Zimbabwe is a significant step towards expanding the Company's gold production and developing Caledonia into a significant diversified mining company. Blanket has a long history of gold production, with the reported proven and probable reserves exceeding 3 million tonnes Blanket reserves should continue to produce gold profitably for many years to come.

At the Barbrook Gold Mine our efforts on optimizing the metallurgical circuit and ramping up tonnage from the underground mine to reach and exceed the planned tonnage of 15,000 tonnes per month are showing encouraging results, but have not yet brought Barbrook to a cash positive position. The tonnage milled increased by 66% and gold production increased by 94% over the first quarter's results, as noted the two quarters are not truly comparable because of production disruptions in January as a result of plant expansion activities.

Regarding the Nama cobalt project, I am pleased to report that the interest remains high. Negotiations regarding long-term cobalt off-take agreements with a number of large cobalt refiners are in the final stages. Technical and economic studies related to the production of suitable cobalt carbonates and hydroxides at Nama are presently underway in South Africa and China."

As required by the AIM Rules, the Company confirms that, under the block listing arrangement for warrants issued pursuant to a private placement, of the 33,287,626 common shares which were admitted to trading on AIM on 15 February 2006 under this arrangement, none have been issued in the six months to 14 August 2006.

Caledonia Management's Discussion and Analysis was published on August 14, 2006 and is available on the company's website: www.caledoniamining.com.

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Further information regarding Caledonia's exploration activities and operations along with its latest financials may be found at www.caledoniamining.com.

Certain statements included herein are "forward-looking statements". Management cautions that forward-looking statements are not guarantees and that actual result could differ materially from those expressed or implied in the forward-looking statements. Important factors that could cause the actual results of operations, exploration or development programs, or the financial condition of the Company, to differ include, but are not necessarily limited to, the risks and uncertainties discussed in documents filed by the Company with the various regulatory authorities having jurisdiction.