



# Caledonia Mining Corporation

Unit 9 • 2145 Dunwin Drive • Mississauga  
 Ontario L5L 4L9 • Canada  
 Tel: +1 (905) 607 7543  
 Fax: +1 (905) 607 9806  
 www.caledoniamining.com



Gold



PGMs



Diamonds



Base Metals

## Caledonia Mining 4<sup>th</sup> Quarter and 2004 Annual Results

**Toronto, Ontario – 29 March 2005:** Caledonia Mining Corporation (“Caledonia”) (TSX: CAL and NASDAQ-OTCBB: CALVF) is pleased to announce its key financial and operating results for the fourth quarter and the year ended 31 December 2004. The financial results are reported in thousands of Canadian dollars except where otherwise stated.

### Financials (in C\$ 000’s)

	Q4’04 (unaudited)	Q4’03 (unaudited)	FY’04 (audited)	FY’03 (audited)
Revenue and operating costs				
Revenue from sales	469	334	841	646
Operating costs	1,686	1,405	6,451	3,630
Gross profit (loss)	(1,217)	(1,071)	(5,610)	(2,984)
Cost and Expenses	3,352	10,777	4,382	11,550
Cash	6,470	4,179	6,470	4,179
Net (loss) for the period	(4,569)	(11,810)	(9,979)	(14,496)
Net (loss) per share (basic & fully diluted)	(0.015)	(0.052)	(0.034)	(0.062)

For the year ended December 31, 2004, Caledonia recorded a net loss, after write downs, of \$10 million (\$0.034 per share) compared to a net loss of \$14.5 million (\$0.062 per share) in 2003. The loss in 2004 included a write down of mineral properties of \$1.1 million and losses from operations of \$5.6 million. The loss from operating activities increased from \$3.0 million in 2003, reflecting a higher level of activity associated with ongoing activities to refurbish the Barbrook Gold Mine. In 2004 general and administrative expense includes a charge of \$0.2 million for stock option grant expense as compared to \$0.1 million in 2003. As of December 31, 2004 Caledonia’s cash position is healthy, with working capital of \$6.4 million (2003: \$3.8 million). Caledonia remains completely debt-free.

During the year, \$14.3 million was raised from private placements, exercise of warrants and options (2003: \$9.5 million). The majority of these funds will be used to finance the improvements in the processing of gold ore at Barbrook and exploration activity on the Company’s most prospective projects.

Reviewing the company’s performance, Stefan Hayden, President and CEO, said “2004 has been another challenging yet exciting year for Caledonia as we work towards bringing the Barbrook Gold Mine into profitable gold production and consolidate work on exploration projects, in particular, the prospective Nama Cobalt/Copper Deposit in Zambia and the Rooipoort Platinum Project.

PRESS RELEASE

We have worked hard to consolidate Caledonia's financial situation during 2004 and I am pleased to report the Company is completely debt-free, with a solid cash position of \$6.4 million at the year end.

While the macro-economic environment in South Africa where we operate the Barbrook Gold Mine continues to be challenging, we believe that the overall outlook for commodity prices is good. The continuing strength of the rand is impacting negatively in the South African mining industry, however, we remain confident that despite this challenge we will return Barbrook to profit in the near future."

### **Barbrook Gold Mine, South Africa**

The complex refractory sulphide ore body at Barbrook continued to test the metallurgical plant during most of 2004, necessitating further extensive modifications to increase gold recoveries. Following these changes, there has been a significant improvement in the operating efficiency in the resin-in-leach ("RIL") section during the first quarter of 2005. Recently, gold recoveries of over 80% have been achieved and the Company expects further improvements during the 2005 financial year. Gold production for the year increased 43% to 1,693 ounces (2003: 1,187 ounces).

Due to the longer than expected time for improvements in gold recoveries, mill throughput will only rise to 10,000 tonnes later on in the year. The Biox® feasibility study is underway and the Company is awaiting the results of further testing of the virtually carbon free concentrate now being produced, and its impact on the Biox® plant design and cost. In addition, Caledonia is evaluating ultra-fine milling and dense media separation technologies to improve feed quality and recoveries. A decision on whether to implement the Biox® plant and/or ultra-fine milling and/or dense media separation is also anticipated in the second quarter of 2005.

Barbrook underground development continued at the French Bob's, Taylors and Daylight/Victory zones to delineate the mine's reserves and resources.

### **Nama Project, Zambia**

Our exciting cobalt project Nama, located in northern Zambia, has made steady progress during 2004 with encouraging results from the mini-bulk sample. The sample was tested, during the fourth quarter, at MINTEK's laboratory in South Africa and confirmed that a suitable cobalt concentrate can be extracted. In 2005 a larger tonnage sample will be excavated and processed through a pilot plant, to be built on site, to produce a suitable cobalt concentrate for testing through a smelter or hydrometallurgical plant. If this test is successful and satisfactory economic terms are obtained, Caledonia will seek to negotiate a long-term supply contract with a large cobalt user or users. Caledonia will also investigate potential joint venture partners to assist with the development of this project.

### **Rooipoort Platinum Exploration Project, South Africa**

Exploration work in the fourth quarter continued at the Rooipoort Platinum Project with the commencement of an initial drilling programme intended to define an indicated PGM resource. This follows the completion of an earlier stratigraphic diamond drill program. Flotation testwork on mineralized composite samples from 5 lithological units was also conducted during the last quarter to verify the flotation amenability of the ore. The tests included milling and basic flotation to produce a flotation concentrate. The results indicated that from each of the 5 mineralized zones, a re-cleaner flotation concentrate of low mass recovery can be produced that contains medium to high recovery of the platinum, palladium, gold, copper and nickel. This initial test work indicates that a simple metallurgical process route could process a flotation concentrate from a high-tonnage lower-grade feed ore from an open-pit ore source.

In 2005 the work program will focus on drilling the northern and extreme southern property boundaries, where recent exploration results show the mineralization is closer to surface. Results will be released during the second quarter of 2005.

#### **Grasvally, Adjacent to Rooipoort Project, South Africa**

During 2004, Caledonia completed the purchase of an additional 342 hectares of mineral and prospecting rights on the Grasvally farm prospect adjacent to the Rooipoort property to the south. We consider Grasvally to be highly prospective as the mineralization in this area appears to be near surface with a shallow dip. Caledonia's application for the necessary Prospecting Permit from the Department of Minerals and Energy, which was filed on April 23, 2004, was refused on March 11, 2005 on the sole grounds of not having a shareholders agreement in place with regard to a black economic empowerment partner. Caledonia believes that this refusal has no legal basis and continues to actively pursue this permit by all available means.

#### **Mulonga Plain Joint Venture Diamond Project, Zambia**

At the Mulonga Plain Diamond Project in Zambia, our joint venture partners have continued to fully fund the exploration programs. Based on the results of a 5,000 line km Falcon® airborne gravity and magnetic survey, flown over the identified kimberlite mineral clusters located in the most eastern portion of the Mulonga licence area, a drilling budget for 2005 of US\$520,000 has been allocated to follow up the identification of the targets derived from previous work and the 71 gravity anomalies identified by the preliminary interpretation of the Falcon® data. At Kashiji Plain, a number of samples were collected and are currently undergoing laboratory work. Budget allocation and planning for 2005 has been deferred until these analyses are complete. Caledonia's interest in Mulonga Plain remains 40%.

#### **Kikerk Lake Diamond Project, Canada**

Caledonia's joint venture partners have continued their obligation to fund the exploration programs. During 2004, all the heavy mineral follow-up samples, collected in 2003, were processed. A total of 361 heavy mineral samples were collected during July and August 2004. The sampling program had two objectives: the first was to better define known indicator mineral trains or confirm isolated indicator anomalies; the second was to increase the sample density across the property in those areas of the property where sampling was considered inadequate to confidently assess mineral potential. Results from this sampling program are expected by the end of the second quarter 2005.

Caledonia's 17.5% share of this program is funded by Ashton Mining of Canada. Ashton holds a 52.5% interest, having incurred in excess of \$750,000 in exploration expenditures on the property. This interest can be increased to 59.5% if Ashton funds Caledonia's share of the costs through to a completed feasibility study. The remaining 30% interest is held by Stornoway Diamond Corporation.

#### **Eersteling Gold Mine**

During 2004, Caledonia redeemed minority shareholdings in Eersteling, thus making Eersteling a 100% owned subsidiary of Caledonia.

A full geological review of the Eersteling property, including the mine plans and other technical data, was commenced in October 2004. The resources at Eersteling were evaluated and a development program prioritized. Other prospective areas, which should be investigated as potential ore sources, were identified and a surface exploration program has commenced to test some of these areas. This included a high resolution aeromagnetic and radiometric survey, which was completed in January 2005. In the soil geochemical program, 500 soil samples in a 3,500 sample program were collected at Eersteling, with the results

currently pending. Potential target zones will be identified and it is planned to drill these during 2005.

### **Corporate**

During 2004, Caledonia continued its programme to enlarge and enhance the skills of the Board and meet corporate governance objectives. The Company obtained shareholder approval to increase the Caledonia Board of Directors to six members and appointed Roland Fasel, a Swiss based businessman, to the Caledonia Board of directors. Mike Tombs was appointed Vice President Finance and Chief Financial Officer and is based in Johannesburg, South Africa. Steven Poad has assumed the position of Controller. In February 2005, Rupert Pardoe was appointed Chairman, with immediate effect.

Caledonia plans during the second quarter 2005 to list the company's shares on the Alternative Investment Market in London, England in conjunction with a financing. The Board believes this listing will introduce Caledonia to London's institutional investors, offer Caledonia greater market exposure, and further broaden the shareholder base, ultimately benefiting all shareholders.

By March 31, 2005 Caledonia's Audited 2004 Financial Statement and Management Discussion and Analysis will be filed with SEDAR, and published on our website [www.caledoniamining.com](http://www.caledoniamining.com), and will be posted to registered shareholders.

### **For more information, please contact:**

Stefan Hayden  
President and CEO, Caledonia Mining  
Tel: +27 11 447 2499

Alex Buck / Nick Bias  
buck-bias  
Tel: +44 7932 740 452

Further information regarding Caledonia's exploration activities and operations along with its latest financials may be found at [www.caledoniamining.com](http://www.caledoniamining.com).

## PERFORMANCE HIGHLIGHTS

	2004	2003 <sup>(2)</sup>	2002 <sup>(2)</sup>	2001 <sup>(2)</sup>	2000 <sup>(2)</sup>
<b>Financial – C\$ 000's</b>					
Revenue from Sales	841	646	27	124	6,623
Gross Profit (Loss)	(5,610)	(2,984)	(118)	(143)	284
Expenses (General and Administration, Interest and Amortization)	2,959	1,841	1,585	1,130	2,143
Net Income (Loss) – before Write-Downs	(8,917)	(4,737)	(1,856)	(1,096)	7,451
Net Income (Loss) - after Write-Downs	(9,979)	(14,496)	(4,446)	(1,096)	7,451
Cash	6,470	4,179	1,864	90	75
Current Assets	7,481	4,573	2,094	184	200
Assets	23,666	19,530	24,969	25,183	25,273
Current Liabilities	1,062	790	1,336	2,701	2,556
Long Term Liabilities	423	1,089	1,073	1,499	1,598
Working Capital (Deficiency)	6,419	3,783	758	(2,517)	(2,356)
Shareholders' Equity	22,181	17,651	22,560	20,983	21,119
Total Capital Expenditures including Mineral	3,813	2,279	613	23	120
Expenditures on Mineral Properties	2,298	2,042	624	23	120
Financing Raised	14,314	9,511	5,174	1,078	979
<b>Share Information</b>					
Market Capitalization (\$ Thousands)	39,145	105,955	86,836	9,086	10,374
Shares Outstanding (Thousands)	301,112	252,274	211,795	165,202	148,202
Warrants & Options (Thousands)	52,342	27,348	28,055	19,566	7,566
Earnings (Loss) per Share	(0.03)	(0.06)	(0.02)	(0.01)	0.08
TSE Share Price High	0.465	0.610	0.44	0.09	0.35
TSE Share Price Low	0.12	0.215	0.060	0.04	0.05
TSE Share Volume (Thousands)	56,934	99,233	81,234	22,310	22,939
NASDAQ Share Price High (US\$)	0.37	0.39	0.281	0.06	0.18
NASDAQ Share Price Low (US\$)	0.10	0.16	0.040	0.02	0.03
NASDAQ Share Volume (Thousands)	210,251	440,811	271,404	74,714	61,919
<b>Operating Results <sup>(1)</sup></b>					
Gold Production (Ounces)	1,693	1,187	52	114	14,558
Silver Production (Ounces)	66	42	4	-	122,665
Average Cost per Ounce Gold (US \$) Sold	2,310	3,129	-	-	240
Average Revenue per Ounce Gold (US \$) Sold	415	402	-	-	285
Year End Gold Resource (Thousand Ounces)	2,459	2,478	2,489	2,930	2,930

(1) Filon Sur to June 30 for year 2000 only.

(2) Restated for the adoption of the Asset Retirement Obligations change in accounting policy.