



CALEDONIA MINING CORPORATION
NEWS RELEASE
SECOND QUARTER 2004 FINANCIAL RESULTS
and GENERAL UPDATE
13th August 2004, 4.00 pm.

Caledonia Mining Corporation (“Caledonia”) of Toronto (TSX: CAL and NASDAQ-OTCBB: CALVF) is pleased to announce its key financial results for the second quarter of its 2004 fiscal year, together with a general update of its properties. The results are reported in Canadian dollars except where stated otherwise.

The Corporation reports an overall loss for the quarter of \$1.4 million (\$0.005 per share). The net loss of \$1.4 million during the quarter is comprised of unrealized currency translation losses, operating losses and administration costs. The year-to date loss was \$3.2 million (\$0.011 per share) compared to a loss of \$1.6 million for the same period in 2003.

Performance Highlights:

Caledonia continues to remain largely debt free and continues to focus its efforts on advancing its assets. It has made significant enhancements to its South African gold operations and management team, and has, either alone or with its joint venture partners, exploration initiatives in South Africa, Canada and Zambia.

At the Barbrook Mine, despite the further circuit changes made in the metallurgical operations during March and April there was no significant gold recovery or production achieved in the plant in the quarter. However, there have been improvements in gold recovered in July and August and gold recovery and production now appears to be increasing. Efforts are being directed at the oxygenation and resin-in-leach circuits particularly in the area of resin contamination in order to resolve the problem.

Exploration drilling at the Rooipoort Platinum Exploration Project near Mokopane, South Africa continued throughout the quarter and 286 hectares of mineral rights were purchased and 56 hectares of prospecting rights were acquired, totaling 342 hectares of additional property immediately adjoining the Rooipoort Platinum Exploration Project.

Exploration activities were conducted on the Rooipoort (Platinum), Roodepoort (gold), Kikerk Lake (diamonds) and Nama (cobalt) properties during the quarter and will continue in the third quarter.

Mike Tombs was appointed Vice President Finance and Chief Financial Officer of the Corporation. He is based in the Johannesburg, South Africa office.

During the second quarter of 2004, Eersteling Gold Mining Company Limited completed a share redemption arrangement for those shares which traded on the Johannesburg Stock Exchange (“JSE”), thus making it 100% owned by Caledonia.

Caledonia completed the private placement financing which commenced during the first quarter. In total the Corporation raised \$14.2 million, net of financing costs, during the first six months of 2004 through the financing program and the exercise of warrants.

Quarterly Unaudited Financial Results - \$ Thousands

	<u>Q2-2004</u>	<u>Q2-2003</u>
Revenue and operating costs		
Revenue from sales	\$30	\$-
Operating costs	1,396	1,240
Gross profit (loss)	(1,366)	(1,240)
Costs and expenses	69	174
Net (loss) for the period	(\$1,435)	(\$1,414)
Net (loss) per share		
Basic and fully diluted	(\$0.005)	(\$0.006)

General Update

Production Activities

Gold

Modifications to the metallurgical plant at the Barbrook Mine were completed in May when re-commissioning commenced. Fine tuning of the plant revisions continued into June. The plant operated sporadically during the month, treating 3,986 tonnes in June. As no significant quantity of gold was recovered it was apparent that further changes were necessary to the Aachen oxygenation and Resin-in-Leach (RIL) sections. These plant changes were in progress at the quarter's end. There have been improvements in gold recovered in July and August and gold recovery and production now appear to be improving.

Caledonia continues to evaluate 'ultra-fine milling' and 'whole-plant Biox®' metallurgical processes to determine whether further recovery improvements and improved economics can be attained. As ongoing test work and the in-house feasibility are completed, further revisions and additions to the metallurgical plant may be expected.

The focus of underground mining remained on development during the quarter. Development advance has been restricted by the need to re-establish services, particularly electric power for ventilation fans, in those areas remote from the main Taylors block. In the Taylors ore zone, the main emphasis was on the development of a double compartment decline shaft which will provide access to the Taylors zone below the 10 level elevation. The hoist room has been established as has the access to the shaft location on 10 level.

Exploration Activities

Platinum Group Metals

At the Rooipoort Platinum Exploration Project near Mokopane, South Africa, a total of 1,880 meters was drilled during the quarter. The final hole in the Phase 1 stratigraphic drilling program was being drilled at the end of the quarter. To date 6,879 meters have been drilled in this 23-hole Phase 1 program which covers the full 6km strike-length of the property. Platinum group mineralisation has been intersected in virtually all of the holes. The information provided continues to define the stratigraphy of the Rooipoort target area and will be used to focus the next drilling phase, which is intended to define an initial resource at Rooipoort. This resource-definition drilling program is currently scheduled to commence in the third quarter of 2004.

During the quarter mineral rights were negotiated over portions of Grasvally 293KR which is immediately adjacent to the Southern boundary of the Rooipoort property. A total of 342 hectares of additional exploration property was either

purchased or optioned. Further land negotiations in this area are ongoing. A soil-sampling program was completed at Grasvally during May and June. In total 672 samples were collected. Results from the initial samples taken in May are being analysed and prepared for plotting.

Gold

Eersteling has identified a near-surface gold exploration prospect (“Roodepoort”). Testing is ongoing and will continue throughout 2004. Results from the 2003/4 sampling program have been received and are being evaluated. During the quarter, 336 soil grid samples were collected, as were 155 chip samples from outcrops of favorable host rock within the targeted area and a number of old workings and adits were sampled. The samples have been sent for assaying and results are awaited. The open pit potential for Roodepoort for a large low-grade operation has never previously been evaluated. Drilling is planned in the third quarter of 2004 on targets generated from the results of this sampling program and previous data of Roodepoort.

Diamonds

Kikerk Lake Joint Venture -Canada.

Processing of heavy mineral follow-up samples collected from six separate areas on the property during the 2003 summer season by the operator of the joint venture, Ashton Mining of Canada (“Ashton”), continued in Ashton’s laboratory during the quarter.

Ashton has proposed a heavy mineral sampling program and renewal of the 15 Kikerk mineral leases for 2004. The sampling program which involves the collection of ~350 samples will increase the sample density across the property in those areas removed from the core Potentilla and Stellaria occurrences. Caledonia’s share of this \$300,000 program is funded by Ashton.

Base Metals

Nama Cobalt Project – Zambia

Nine kilometres of access road were upgraded to allow heavy equipment to reach the sample site on the Nama cobalt project. Equipment was mobilized to the site and sampling commenced during July. This bulk sample will be shipped to Johannesburg, South Africa and after blending and splitting will be tested in South Africa and Canada to determine whether an economically viable concentrate can be produced for sale. Test results should be available by year end.

Caledonia’s Second quarter report has been posted on SEDAR and is available on the Corporation’s website at <http://www.caledoniamining.com>

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Further information regarding Caledonia’s exploration activities and operations along with its latest financials may be found on the Corporation’s website <http://www.caledoniamining.com>