

# 2001

## THIRD QUARTER REPORT



# Caledonia

## Mining Corporation

---

Unit #9, 2145 Dunwin Drive, Mississauga, Ontario Canada, L5L 4L9

Tel: (905) 607-7543 Fax: (905) 607-9806

World Wide Web: <http://www.caledoniamining.com>

## President's Report

### Results of Operations

#### Canada

**Kikerk Lake Joint Venture:** On September 7<sup>th</sup> Caledonia announced the discovery of the "Potentilla" kimberlite, on the Kikerk Lake property in Nunavut, by its joint venture partner and operator of the property, Ashton Mining of Canada Inc. ("Ashton"). The Potentilla kimberlite is located at the head of a well-defined indicator mineral dispersion fan which returned a diamond measuring 1.40 x 0.68 x 0.60 mm from a till sample collected during the 2000 exploration program on the property.

The Potentilla kimberlite is represented by a magnetic anomaly with approximate dimensions of 140 x 60 metres. A vertical hole drilled in the center of the anomaly intersected kimberlite breccia beneath 9.9 metres of glacial overburden to a depth of 142.3 metres and terminated in hypabyssal kimberlite at a depth of 184.7 metres. A second hole was drilled from the same location at a 53 degree angle from horizontal. The orientation of this hole was approximately parallel to the longest dimension of the anomaly. The drill intersected kimberlite breccia from 9.7 to 98.4 metres and hypabyssal kimberlite from 98.4 to 107.0 metres. Drilling was terminated in sedimentary rock at 161.2 metres. These results suggest that the kimberlite extends 65 metres from the center of the anomaly along its longest dimension.

Drilling at Potentilla identified two different facies within the kimberlite pipe: an upper diatreme facies underlain by a hypabyssal facies. Samples of both materials were processed by caustic dissolution at Ashton's North Vancouver laboratory. The following numbers of diamonds were recovered:

Kimberlite Facies	Sample Weight (Kg)	Number of Diamonds	
		Micro (0.1-0.5 mm)	Macro (≥ 0.5 mm in one dimension)
Diatreme	129.1	160	15 ( Note 1)
Hypabyssal	78.7	70	7 (Note 2)
<b>Total</b>	<b>207.8</b>	<b>230</b>	<b>22</b>

#### Notes:

1. Seven of the macrodiamonds from this sample measure greater than 0.5 mm in two dimensions with the three largest stones measuring 2.13 x 1.94 x 0.87 mm, 1.37 x 0.99 x 0.87 mm and 1.12 x 0.90 x 0.40 mm.
2. Three of the macrodiamonds from this sample measure greater than 0.5 mm in two dimensions with the largest stone measuring 0.80 x 0.52 x 0.39 mm.

This drilling program also tested a one kilometre long linear structure in the vicinity of the Potentilla kimberlite. The objective of this drilling was to identify the source of an indicator mineral dispersion fan containing a significant number of G10 pyrope garnets. Two inclined holes drilled from the same location approximately 500 metres northeast of Potentilla intersected brecciated host rock containing kimberlite dykes measuring 45 cm and 15 cm respectively and abundant thin stringers of kimberlite. Initial analysis suggests that the kimberlite intersections may not be the source of the indicator mineral dispersion fan.

The diamond results from Potentilla are reported by Ashton to be among the best obtained from the nine kimberlites discovered by Ashton in Nunavut and the Northwest Territories thus far. These results and the presence of well-defined indicator mineral trains clearly indicate the need for further evaluation of Potentilla and continued exploration on the Kikerk Lake property.

Caledonia and Northern Empire Minerals Ltd. ("Northern") respectively hold a 70 percent and 30 percent interest in the property. Ashton is entitled to earn a 52.5 percent interest from Caledonia by incurring \$750,000 in exploration expenditures on the property not later than May 31, 2003. Brooke Clements,

Professional Geologist and Ashton's Vice President, Exploration, is responsible for the design and conduct of the exploration programs.

### **South Africa**

**Barbrook Mine:** Caledonia commissioned MINTEK of South Africa to conduct a series of metallurgical tests designed by Caledonia, to determine if a lower cost method of recovering gold from refractory ores is economically viable at the present gold price and if it is suitable for treating ores from Caledonia's wholly-owned Barbrook mine. A draft report has been received from MINTEK and is currently being studied. MINTEK have been asked to verify certain anomalous aspects of the results. Overall, the results are most encouraging. The highest gold recovery from a standard flotation concentrate was achieved by a resin-in-leach cyanidation leach of a reground concentrate sample. A decision to pilot plant a revised process will be taken once the MINTEK report and any further confirmatory test results have been studied.

Caledonia and its subsidiaries continue to pursue legal remedies against Spring Hills Trading Limited regarding the cancellation of the option and sale agreements for the Barbrook and Eersteling mines.

**Vier en Twintig Rivier / Pruissen:** Two suspected Kimberlite samples collected by Caledonia on the Pruissen property were analyzed in Canada. Mineralogical results were not conclusive and the samples are most likely not kimberlite, but a similar mineral species – alnoite or carbonatite. As reported previously, a prospecting licence has been applied for, and exploration work targeting diamond and platinum group metals will commence once it is received.

**Rooipoort:** Caledonia's 96% subsidiary Eersteling Gold Mining Co. Ltd. has acquired the rights to explore and develop the mineral rights on the farm Rooipoort 46 KS from Anglo Platinum Mining Services in exchange for certain mineral rights held by Eersteling in the Pietersburg area. Rooipoort 46 KS is immediately adjacent to the Pruissen property which was optioned by Caledonia in June 2001. The property is approximately 8 kilometres east of Potgietersrus in the Northern Province of South Africa and is considered to be highly prospective for platinum deposits.

**Goedgevonden:** Caledonia has signed a Prospecting and Option Agreement over the Goedgevonden diamond bearing kimberlite pipe located approximately 20 kilometres north of the Stilfontein Gold Mine in the Klerksdorp district of the North West Province in South Africa. Prospecting activities in the mid 1970's indicated the pipe is oval in plan and covers a surface area of approximately 27,000 square metres. The pipe which outcrops has been intersected at a depth of 425 metres and further down dip extensions remain undefined. Previous drilling yielded average diamond content of 35 to 45 carats/100 tonnes with one hole yielding 65 carats/100 tonnes. A fair portion of the diamonds recovered from the drilling were gem quality with a notable tendency toward pink coloured diamonds. Caledonia is conducting a Stratagem survey in November 2001 prior to commencing a drilling program once the prospecting licence has been received.

### **Zambia**

**Konkola West:** On July 18<sup>th</sup> Caledonia announced it had been granted the Exclusive Prospecting Licence over the strategically located Konkola West area. The 128 sq. kilometer licence covers a considerable portion of the Roan stratigraphy exposed around the Konkola Dome and is one of the few remaining areas of extremely prospective ground on the Copperbelt. The licence covers the southern and western portions of the Konkola Dome and the presence of the oil shale horizon, which hosts the Konkola Deep and the Musoshi deposits on the northern and eastern sides of the Dome, has been identified within the Konkola West licence area.

The Konkola West licence is adjacent to Caledonia's Nama and Ngosa licences to the west. To the north east of the licence is the Konkola Mining Licence now being considered for development as a new underground copper mine by Konkola Mines Limited, a subsidiary company of Anglo American PLC.

Discussions are underway with a number of mining companies regarding a possible joint venture on the Konkola West licence area.

***Mulonga Plain Joint Venture:*** Follow up geochemical and geophysical exploration has been completed over the majority of the priority target areas. Full compilation of data collected this year will be carried out between November 2001 and January 2002. Approximately 15 to 20 airborne magnetic anomalies require ground truthing by gravity and ground magnetic survey before final drill target prioritization. An estimated 3-6 weeks of ground geophysical work and data compilation will be required at the beginning of the 2002 field season prior to mobilization and implementation of a drilling program. This should not substantially set back the drilling program as ground geophysical work can be carried out before the area has dried out sufficiently to enable the movement of heavy drill equipment.

**Other**

No management fee has been earned at Filon Sur due to negative cash flows from this operation.

The latest Financial Statements, News Releases and the Location Maps showing Caledonia's various properties can be downloaded from the Caledonia website <http://www.caledoniamining.com> and visitors to the website can elect to be automatically notified of all new postings to the website by e-mail.

(Signed) S. E. Hayden  
President and C.E.O.  
November 15, 2001

## **Caledonia Mining Corporation**

**announces the relocation of its corporate offices to:**

**Unit #9  
2145 Dunwin Drive  
Mississauga, Ontario  
L5L 4L9**

**Phone: (905) 607-7543**

**Fax: (905) 607-9806**

**effective December 1<sup>st</sup> 2001**

**Caledonia Mining Corporation**  
**Consolidated Balance Sheets**  
(in thousands of Canadian dollars)

	September 30, 2001	December 31, 2000
	(Unaudited)	(Audited)
<b>Assets</b>		
<b>Current</b>		
Cash and short term deposits	\$43	\$75
Accounts receivable	103	118
Prepaid expenses	7	7
	<u>153</u>	<u>200</u>
<b>Capital assets</b>	7,454	7,505
<b>Mineral properties</b>	<u>17,358</u>	<u>17,358</u>
	<u>\$24,965</u>	<u>\$25,063</u>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current</b>		
Account payable	\$1,650	\$1,577
Loan payable	793	979
	<u>2,443</u>	<u>2,556</u>
<b>Provision for site restoration</b>	1,026	1,026
<b>Non-controlling interest</b>	<u>787</u>	<u>787</u>
	<u>4,256</u>	<u>4,369</u>
<b>Shareholders' Equity</b>		
Share capital (see notes)		
(shares issued: 2001- 165,202,115 and 2000 - 148,202,115)	143,986	143,026
Deficit	<u>(123,277)</u>	<u>(122,332)</u>
	<u>20,709</u>	<u>20,694</u>
	<u>\$24,965</u>	<u>\$25,063</u>

On behalf of the Board:

\_\_\_\_\_ Director

(Signed) J. Johnstone

\_\_\_\_\_ Director

(Signed) F. C. Harvey

**Consolidated Statements of Deficit**  
(in thousands of Canadian dollars)

	Three Month Period Ended September 30,		Nine Month Period Ended September 30,	
	2001	2000	2001	2000
Deficit, beginning of period	(\$122,812)	(\$130,835)	(\$122,332)	(\$129,744)
Net income (loss) for the period	<u>(465)</u>	<u>8,868</u>	<u>(945)</u>	<u>7,777</u>
Deficit, end of period	(\$123,277)	(\$121,967)	(\$123,277)	(\$121,967)

**Consolidated Statements of Operations**  
(in thousands of Canadian dollars except per share amounts)

	Three Month Period Ended September 30,		Nine Month Period Ended September 30,	
	2001	2000	2001	2000
<b>Revenue and operating costs</b>				
Revenue from sales	\$11	\$ -	\$44	\$6,618
Revenue from management services	-	95	-	95
Operating costs	<u>(149)</u>	<u>(21)</u>	<u>(162)</u>	<u>(6,395)</u>
Gross profit (loss)	<u>(138)</u>	<u>74</u>	<u>(118)</u>	<u>318</u>
<b>Expenses</b>				
General and administrative	257	164	779	738
Interest	26	-	64	-
Amortization	-	-	-	851
Other (income)	<u>44</u>	<u>43</u>	<u>(16)</u>	<u>(44)</u>
	<u>327</u>	<u>207</u>	<u>827</u>	<u>1,545</u>
(Loss) before undernoted	(465)	(133)	(945)	(1,227)
Net gain on conversion of the convertible debentures and sale of subsidiary companies	<u>-</u>	<u>9,001</u>	<u>-</u>	<u>9,001</u>
Income (loss) before non-controlling interest	(465)	8,868	(945)	7,774
Non-controlling interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>3</u>
Net earnings (loss) for the period	<u>(\$465)</u>	<u>\$8,868</u>	<u>(\$945)</u>	<u>\$7,777</u>
<b>Net earnings (loss) per share</b>				
Basic	\$0.00	\$0.13	(\$0.01)	\$0.11
Fully diluted	-	\$0.12	-	\$0.10

**Caledonia Mining Corporation**  
**Consolidated Statements of Cash Flow**  
(in thousands of Canadian dollars)

	Three Month Period Ended September 30,		Nine Month Period Ended September 30,	
	2001	2000	2001	2000
<b>Cash provided by (used in)</b>				
<b>Operating activities</b>				
Net income (loss) for the period	(\$465)	\$8,868	(\$945)	\$7,777
Items not involving cash	-	(9,001)	-	(7,836)
	(465)	(133)	(945)	(59)
<b>Changes in non-cash working capital</b>	(264)	237	(98)	929
Reduction of cash from disposal of subsidiary	-	(721)	-	(721)
	(729)	(617)	(1,043)	149
<b>Investing activities</b>				
Purchase of capital assets - net of grant	51	2	51	(184)
Expenditures on mineral properties	-	53	-	(7)
	51	55	51	(191)
<b>Financing activities</b>				
Issuance of share capital, net of issue costs (see notes)	668	-	960	-
	(10)	(562)	(32)	(42)
<b>(Decrease) in cash for the period</b>	(10)	(562)	(32)	(42)
Cash and cash equivalents, beginning of period	53	571	75	51
Cash and cash equivalents, end of period	\$43	\$9	\$43	\$9

---

**Caledonia Mining Corporation**  
**Notes to Consolidated Financial Statements**

**September 30, 2001 and 2000**

---

**Basis of Presentation**

These financial statements have been prepared on the basis of a going concern, which contemplates that the Company will be able to realize assets and discharge liabilities in the normal course of business. The Company's ability to continue as a going concern is dependent upon attaining profitable operations and obtaining sufficient financing to meet its liabilities, its obligations with respect to operating expenditures and expenditures required on its mineral properties.

**Measurement Uncertainties**

Preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. The more significant areas requiring estimates relate to mineral resources, future cash flows associated with capital assets and mineral properties. Management's calculation of mineral resources and cash flows are based upon engineering and geological estimates and financial estimates including gold prices and operating costs. Actual results could differ from those estimated.

**Principles of Consolidation**

The consolidated financial statements include the accounts of the Company together with all its subsidiaries.

The Company's principal consolidated subsidiaries are Barbrook Mines Limited (100% owned) ("Barbrook"), Eersteling Gold Mining Company Limited (96% owned) ("Eersteling") and Caledonia Mining (Zambia) Limited, Caledonia Kadola Limited, Caledonia Nama Limited and Caledonia Western Limited (all 100% owned) (collectively known as "Caledonia Zambia").

Effective with the close of business on June 30, 2000, the Company recorded the sale of Filon Sur S.A. ("Filon Sur") (previously 99.5% owned) and Filon Sur's wholly owned subsidiary, Fynergold Exploration Limited ("Fynergold") to a group of private investors, as part of the debt restructuring of Filon Sur. Accordingly, these consolidated financial statements reflect the operating activities of Filon Sur and Fynergold up to the close of business as of June 30, 2000. The Company's revenue from sales and operating costs were principally derived from the Filon Sur operation for the first six months of 2000. There are no corresponding revenue or operating expenses applicable to Filon Sur in the consolidated financial statements for 2001.

**Financial Disclosure Note**

The unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim reporting. In the opinion of management all adjustments required for a fair presentation are included in these statements in accordance with the accounting policies of the Company. The interim consolidated financial statements should be read in conjunction with the year end 2000 audited financial statements for the detailed note disclosure which is not materially different to these interim financial statements.

**Share Capital**

The Company announced on August 29, 2001 that it had raised \$1,020,000 from a private placement and issued 17,000,000 units at \$0.06 per unit. Each unit was comprised of one common share and one common share purchase warrant exercisable at \$0.075 per share. The warrants expire eighteen months after the closing date of the private placement. The funds raised were used for general corporate purposes and to further reduce debt. Share issue costs of \$60,000 were charged against share capital resulting in net proceeds of \$960,000.

## Corporate Directory

### BOARD OF DIRECTORS

S. E. Hayden  
J. Johnstone  
F. C. Harvey  
W. I. L. Forrest  
C. R. Jonsson

### OFFICERS

S. E. Hayden  
*Chairman of the Board, President and  
Chief Executive Officer*

F. C. Harvey  
*Technical Director*

J. Johnstone  
*Vice-President Operations and  
Chief Operating Officer*

S. W. Poad  
*Vice-President Finance and  
Administration*

J. Smith  
*Vice-President Exploration*

### HEAD OFFICE

**Canada - Head Office**  
Caledonia Mining Corporation  
Unit #9  
2145 Dunwin Drive  
Mississauga, Ontario  
L5L 4L9 Canada  
Tel: (905) 607-7543  
Fax: (905) 607-9806

### SHARES LISTED

The Toronto Stock Exchange  
Symbol "CAL"  
NASDAQ OTC BB  
Symbol "CALVF"

### CAPITALIZATION

(September 30, 2001)  
Authorized: Unlimited  
number of common shares  
Issued Common Shares: 165,202,115  
Warrants: 17,000,000  
Options: 2,565,800

### SOLICITORS

Borden Ladner Gervais LLP  
Suite 4100, Scotia Plaza  
40 King Street West  
Toronto, Ontario  
M5H 3Y4 Canada

Tupper, Jonsson & Yeadon  
1710-1177 West Hastings Street  
Vancouver, British Columbia  
V6E 2L3 Canada

### AUDITORS

BDO Dunwoody LLP  
Chartered Accountants  
Suite 3200, 200 Bay Street  
Royal Bank Plaza, South Tower  
Toronto, Ontario  
M5J 2J8 Canada

### REGISTRAR & TRANSFER AGENT

Equity Transfer Services Inc.  
Suite 420  
120 Adelaide Street West  
Toronto, Ontario  
M5H 4C3 Canada  
Tel: (416) 361-0152  
Fax: (416) 361-0470

### BANK

Canadian Imperial Bank Of Commerce  
6266 Dixie Road  
Mississauga, Ontario  
L5T 1A7 Canada

### INTERNET

Web Site:  
<http://www.caledoniamining.com>