

Letter to Shareholders

Financial Results

The Corporation experienced a loss of \$0.4 million (\$0.007 per share) for the second quarter of 2000, while the year to date loss amounts to \$1.1 million (\$0.016 per share). Results for the second quarter have been adversely affected by the continued low gold price. Gross profit from mine operations amounted to \$496,000 for the quarter and \$224,000 for the year to date.

The series of signed agreements relating to the sale and debt restructuring of Caledonia's subsidiary Filon Sur to the Oak Consortium, as described previously in news releases of 10 April 2000, and 29 June 2000, have been lodged in Escrow. These agreements are subject of approval of the Toronto Stock Exchange. This regulatory approval is expected during August.

In summary, under the terms of the Agreements the Canadian Imperial Bank of Commerce will cancel and return to Caledonia its limited recourse guarantee of Filon Sur's outstanding debt and Oak will provide funding to Caledonia to continue its operation. Upon closing, Oak will become the owner of Filon Sur and its subsidiary Fynergold Exploration Limited. In terms of the Agreements, Caledonia will continue to provide management services to Filon Sur in return for 30% on the monthly distributable cash flow generated from Filon Sur's operations and Oak will provide Caledonia with short-term financing.

Spain

During the second quarter of 2000, in line with planned targets, the Filon Sur gold mine produced 7,410 ounces of gold and 63,400 ounces of silver as compared to the 1999 second quarter production of 7,306 ounces of gold and 59,793 ounces of silver. Continuing wet weather affected operations by limiting access to some higher grade areas, however, overall tonnage and grade mined during the quarter were as forecast.

A number of milling circuit changes were studied during the second quarter which, if implemented would allow for the economic treatments of previously leached ores at Filon Sur. These changes could extend the economic life of Filon Sur beyond that presently planned. However, government funding assistance will be required in order to fund this project. Submissions for funding have been made to the authorities and their response is expected early in the fourth quarter.

Zambia

At the Mulonga Plain joint venture, grid sampling of four grids was completed during the quarter. In addition, a number of geophysical targets were sampled. A 290 line-km ground magnetic survey was completed during the period and six grids were prepared for gravity surveys later in the season. Sample results are expected during the third quarter 2000. Exploration results to date have been sufficiently encouraging to proceed with the first pass drilling program which will commence during the third quarter 2000.

Other

Negotiations with prospective joint venture partners for certain of the Corporation's properties continue.

(Signed)
S.E. Hayden, President & CEO

August 16, 2000

Consolidated Balance Sheets

(in thousands of Canadian dollars)
(Unaudited)

	June 30, 2000	December 31, 1999
Assets		
Current		
Cash and short term deposits	\$ 571	\$ 51
Accounts receivable	697	841
Inventories	1,179	1,284
Prepaid expenses	9	3
	<u>2,456</u>	<u>2,179</u>
Capital assets	12,585	13,620
Mineral properties	17,383	17,390
	<u>\$ 32,424</u>	<u>\$ 33,189</u>

Liabilities and Shareholders' Equity

Current		
Accounts payable	\$ 4,459	\$ 3,903
Current portion of long term debt	1,022	1,240
	<u>5,481</u>	<u>5,143</u>
Long term debt	9,485	8,939
Deferred foreign exchange gain	627	626
Provision for site restoraion	1,026	1,026
Deferred gain on retirement of long term debt	10,216	10,216
Non-controlling interest	937	940
	<u>27,772</u>	<u>26,890</u>

Shareholders' equity		
Share capital	136,838	136,838
(shares issued: 2000 - 68,830,142; 1999 - 68,830,142)		
Deficit	(130,835)	(129,744)
Foreign currency translation adjustment	(1,351)	(795)
	<u>4,652</u>	<u>6,299</u>
	<u>\$ 32,424</u>	<u>\$ 33,189</u>

On behalf of the Board of Directors:

(Signed)
S.E. Hayden
President & CEO

(Signed)
J. Johnstone
V.P. Operations

Consolidated Statements of Deficit

(in thousands of Canadian dollars)
(Unaudited)

	Three Month Period Ended June 30,		Six Month Period Ended June 30,	
	2000	1999	2000	1999
Deficit, beginning of period	\$ (130,466)	\$ (117,126)	\$ (129,744)	\$ (122,284)
Net income (loss) for the period	<u>(369)</u>	<u>(366)</u>	<u>(1,091)</u>	<u>4,792</u>
Deficit, end of period	<u>\$ (130,835)</u>	<u>\$ (117,492)</u>	<u>\$ (130,835)</u>	<u>\$ (117,492)</u>

Consolidated Statements of Operations

(in thousands of Canadian dollars)
(Unaudited)

	Three Month Period Ended June 30,		Six Month Period Ended June 30,	
	2000	1999	2000	1999
Revenue and operating costs				
Revenue from sales	\$ 3,459	\$ 3,051	\$ 6,618	\$ 7,397
Operating costs	<u>2,963</u>	<u>3,028</u>	<u>6,374</u>	<u>6,401</u>
Gross profit from mine operations	<u>496</u>	<u>23</u>	<u>244</u>	<u>996</u>
Expenses				
General and administrative	347	473	574	794
Interest on debt	-	261	-	495
Amortization	593	17	851	604
Other (income)	(80)	(369)	(87)	(429)
	<u>860</u>	<u>382</u>	<u>1,338</u>	<u>1,464</u>
(Loss) before undernoted	<u>(364)</u>	<u>(359)</u>	<u>(1,094)</u>	<u>(468)</u>
Gain on retirement of long term debt	-	-	-	5,310
Income (loss) before income taxes	<u>(364)</u>	<u>(359)</u>	<u>(1,094)</u>	<u>4,842</u>
Income taxes - expense	-	-	-	2,368
- (recovery)	-	-	-	(2,351)
Income (loss) before non-controlling interest	<u>(364)</u>	<u>(359)</u>	<u>(1,094)</u>	<u>4,825</u>
Non-controlling interest	<u>(5)</u>	<u>(7)</u>	<u>3</u>	<u>(33)</u>
Net income (loss) for the period	<u>\$ (369)</u>	<u>\$ (366)</u>	<u>\$ (1,091)</u>	<u>\$ 4,792</u>
Earnings (loss) per share				
For the period - basic	\$ (0.007)	\$ (0.007)	\$ (0.016)	\$ 0.086
- fully diluted	<u>\$ (0.006)</u>	<u>\$ (0.006)</u>	<u>\$ (0.014)</u>	<u>\$ 0.075</u>

Consolidated Statements of Cash Flow*(in thousands of Canadian dollars)*
(Unaudited)

	Three Month Period		Six Month Period	
	Ended June 30,		Ended June 30,	
	2000	1999	2000	1999
Cash provided by (used in)				
Operating activities				
Net income (loss) for the period	\$ (369)	\$ (366)	\$ (1,091)	\$ 4,792
Items not involving cash	281	(94)	876	(3,911)
	<u>(88)</u>	<u>(460)</u>	<u>(215)</u>	<u>881</u>
Changes in non cash working capital balances	44	257	581	(594)
	<u>(44)</u>	<u>(203)</u>	<u>366</u>	<u>287</u>
Investing activities				
Purchase of capital assets - net of grant	(283)	(21)	(348)	1,570
Expenditures on mineral properties	(11)	(322)	(44)	(419)
	<u>(294)</u>	<u>(343)</u>	<u>(392)</u>	<u>1,151</u>
Financing activities				
Long term debt, net of commissions	532	(394)	546	(2,031)
Issuance of share capital, net of issue costs	-	503	-	640
	<u>532</u>	<u>109</u>	<u>546</u>	<u>(1,391)</u>
Increase (decrease) in cash for the period	194	(437)	520	47
Cash, beginning of period	377	575	51	91
Cash and short term deposits, end of period	\$ 571	\$ 138	\$ 571	\$ 138

BOARD OF DIRECTORSS.E. Hayden
J. Johnstone
F.C. Harvey
W.I.L. Forrest
C.R. Jonsson**OFFICERS**S.E. Hayden
F.C. Harvey
J. Johnstone
S.W. Poad
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2155 Dunwin Drive
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L5L 4M1 Canada
Tel: (905) 607-7543
Fax: (905) 607- 9806**SHARES LISTED**The Toronto Stock Exchange
Symbol "CAL"
NASDAQ OTC BB
Symbol "CALVF"**CAPITALIZATION**(June 30, 2000)
Authorized: Unlimited
number of common shares
Issued Shares: 68,830,142
Options & Warrants: 7,565,800**SOLICITORS****Borden Ladner Gervais LLP**
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40 King Street, West
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M5H 3Y4 Canada**Tupper, Jonsson & Yeadon**1710 - 1177 West Hastings
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L5T 1A7 Canada*Second Quarter Report***2000****CALEDONIA**
MINING CORPORATION