



Letter to Shareholders

Financial Results

During the first quarter of 2000, a loss from mine operations of \$0.3 million was recorded from the Filon Sur gold mine as compared to a profit of \$1.0 million in 1999. The operating results reflect the significantly lower ore grade treated in 2000 compared to 1999 at 1.42 gram per tonne verses 1.75 gram per tonne together with a decrease in gold recovery in 2000. The high rainfall in the first quarter of 2000 required the mining of drier lower grade ores in preference to the higher grade ores originally planned. Caledonia's corporate expenses during the first quarter of 2000 continued to decrease significantly when compared to the levels of 1999. General and administrative expenses decreased by 30% from \$0.3 million in 1999 to \$0.2 million in 2000 reflecting the continuing impact of the cost reduction programme instituted at the beginning of 1998. In total, all costs and expenses including amortization have been reduced from \$1.1 million in 1999 to \$0.5 million in 2000. Overall the Corporation incurred a loss of \$0.7 million or \$0.01 per share as compared to a profit of \$5.2 million or \$0.11 per share in 1999. Results for 1999 included a one time gain on the retirement of debt in an amount of \$5.3 million.

During the second quarter of 2000 it is anticipated that the sale of Filon Sur to the Oak Consortium as described in the 1999 Annual Report will be concluded.

Spain

During the first quarter of 2000 in line with the planned production targets, the Filon Sur gold mine produced 7,063 ounces of gold and 56,362 ounces of silver as compared to the 1999 first quarter production of 9,243 ounces of gold and 53,793 ounces of silver. The tonnage crushed during the first quarter was 242,558 tonnes which was slightly more than the budgeted figure. However, the continuing wet weather during the quarter resulted in the mining of accessible drier ore, at a lower grade than originally planned. The grade of ore processed during the first quarter of 2000 was 1.42 grams per tonne compared with the 1999 level of 1.75 grams per tonne. Gold recovery from this ore was also lower than originally planned. The average cash cost per ounce of gold produced during the first quarter of 2000 was US \$229 as compared to US \$180 per ounce of gold in the first quarter of 1999. The increase in the unit cost of production reflects the impact of the lower gold production compared with the first quarter of 1999.

Zambia

Results from the 1999 field season at the Mulonga Plain Joint Venture are currently being analysed. Additional ground geophysics and infill sampling will be conducted over selected areas as soon as the field work resumes in the second quarter. Based on this additional work, the plan is to select targets for a drilling

program to be commenced during the third quarter of 2000.

At the Kadola Joint Venture, Cyprus Amax commissioned a regolith study and landform mapping program to assist in their understanding of the geochemical interpretation of the property and thus generate additional high priority targets.

Other

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

May 16, 2000

S. E. Hayden
President & CEO

Consolidated Balance Sheets
(in thousands of Canadian dollars)

	(Unaudited)	
	March 31,	December 31,
	<u>2000</u>	<u>1999</u>

Assets
Current

Cash and short term deposits	\$ 377	\$ 51
Accounts receivable	540	841
Inventories	1,231	1,284
Prepaid expenses	<u>9</u>	<u>3</u>
	<u>2,157</u>	<u>2,179</u>

Capital assets

Mineral properties	12,832	13,620
	<u>17,369</u>	<u>17,390</u>
	<u>\$ 32,358</u>	<u>\$ 33,189</u>

Liabilities and Shareholders' Equity
Current

Accounts payable	\$ 4,092	\$ 3,903
Current portion of long term debt	<u>1,240</u>	<u>1,240</u>
	<u>5,332</u>	<u>5,143</u>

Long term debt

Deferred foreign exchange gain	8,953	8,939
Provision for site restoration	626	626
	<u>1,026</u>	<u>1,026</u>

Deferred gain on retirement of long term debt

	10,216	10,216
Non-controlling interest	<u>932</u>	<u>940</u>
	<u>27,085</u>	<u>26,890</u>

Shareholders' equity

Share capital	136,838	136,838
(shares issued: 2000 - 68,830,142; 1999 - 68,830,142)		
Deficit	(130,466)	(129,744)
Foreign currency translation adjustment	<u>(1,099)</u>	<u>(795)</u>
	<u>5,273</u>	<u>6,299</u>
	<u>\$ 32,358</u>	<u>\$ 33,189</u>

On behalf of the Board of Directors:

S.E. Hayden	J. Johnstone
President & CEO	V.P. Operations

Consolidated Statements of Deficit
(in thousands of Canadian dollars)

(Unaudited)

	(Unaudited)	
	March 31,	1999
	<u>2000</u>	<u>1999</u>

Deficit, beginning of period \$ (129,744) \$ (122,284)

Net income (loss) for the period (722) 5,158

Deficit, end of period \$ (130,466) \$ (117,126)

Consolidated Statements of Operations

(Unaudited)

	(Unaudited)	
	2000	1999

Revenue and operating costs

Revenue from sales	\$ 3,159	\$ 4,346
Operating costs	<u>3,411</u>	<u>3,373</u>

Gross profit (loss) from mine operations (252) 973

Expenses

General and administrative	227	322
Interest on long term debt	-	234
Amortization	258	587
Other (income)	<u>(7)</u>	<u>(60)</u>

(Loss) before undernoted (730) (110)

Gain on retirement of long term debt	-	5,310
Income (loss) before income taxes	<u>(730)</u>	<u>5,200</u>

Income taxes - expense	-	2,368
- (recovery)	<u>-</u>	<u>(2,352)</u>

Income (loss) before non-controlling interest	<u>(730)</u>	<u>5,184</u>
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Non-controlling interest	<u>8</u>	<u>(26)</u>
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Net income (loss) for the period	<u>\$ (722)</u>	<u>\$ 5,158</u>
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Earnings (loss) per share

For the period - basic	\$ (0.010)	\$ 0.108
- fully diluted	<u>\$ (0.010)</u>	<u>\$ 0.101</u>

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

(Unaudited)

	(Unaudited)	
	March 31,	1999
	<u>2000</u>	<u>1999</u>

Cash provided by (used in)
Operating activities

Net income (loss) for the period	\$ (722)	\$ 5,158
Items not involving cash	<u>595</u>	<u>(3,817)</u>
	<u>(127)</u>	<u>1,341</u>

Changes in non-cash working capital balances

	<u>537</u>	<u>(851)</u>
	<u>410</u>	<u>490</u>

Investing activities

Purchase of capital assets - net of grant	(65)	1,591
Expenditures on mineral properties	<u>(33)</u>	<u>(97)</u>
	<u>(98)</u>	<u>1,494</u>

Financing activities

Long term debt, net of commissions	14	(1,637)
Issuance of share capital, net of issue costs	<u>-</u>	<u>137</u>
	<u>14</u>	<u>(1,500)</u>

Increase (decrease) in cash for the period 326 484

Cash, beginning of period	<u>51</u>	<u>91</u>
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Cash and short term deposits, end of period	<u>\$ 377</u>	<u>\$ 575</u>
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BOARD OF DIRECTORS

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

OFFICERS

 S.E. Hayden
 F.C. Harvey
 J. Johnstone
 S.W. Poad
 J. Smith

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SHARES LISTED

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

CAPITALIZATION

 (March 31, 2000)
 Authorized: Unlimited
 number of common shares
 Issued Shares: 68,830,142
 Options & Warrants: 7,565,800

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