

## Canada

During August, Caledonia signed an option agreement with Ashton Mining (Northwest Territories) Ltd. ("Ashton") on Caledonia's 70% owned Kikerk Lake property in Nunavut. In terms of this agreement, Ashton has assumed operatorship and can earn a 52.5% interest from Caledonia by spending an initial \$100,000 on the property by March 31<sup>st</sup> 2001, a further \$150,000 by May 31<sup>st</sup> 2002, and a final \$500,000 not later than May 31<sup>st</sup> 2003. In addition, Ashton is entitled to increase its interest to 59.5% by carrying Caledonia up to and including a feasibility study.

Ashton has now collected approximately 500 samples in a follow-up sampling program on the mineral indicator trains previously identified and sampled on the property, and assay results are awaited. Northern Empire Minerals Ltd. ("Empire"), which has a 30% interest in the property, claims it has a right of first refusal on the Caledonia interest which may be acquired by Ashton. Caledonia denies that Empire has any first refusal rights and believes that Empire's claim is without merit.

## Europe

Caledonia continues to provide management services to Filon Sur S.A. in Spain in return for a management fee equal to 30% of the monthly distributable cash flow from Filon Sur's operations. During the quarter, Filon Sur produced 7,172 ounces of gold and 68,568 ounces of silver compared to the third quarter of 1999 production of 7,947 ounces of gold and 46,816 ounces of silver. Filon Sur is self financing the construction of an addition to the crushing circuit that will increase the annual throughput by 300,000 tonnes to 1,250,000 tonnes and which will facilitate the treatment of previously leached residues. Commissioning of this expansion is expected by year end. Results of Filon Sur are not included in the consolidated accounts of Caledonia with effect from July 1, 2000.

## Other

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

S. E. Hayden, President & CEO  
November 6, 2000

## Consolidated Balance Sheets

(in thousands of Canadian dollars)

(Unaudited)

	September 30, 2000	December 31, 1999
<b>Assets</b>		
<b>Current</b>		
Cash and short term deposits	\$ 9	\$ 51
Accounts receivable	51	841
Inventories	-	1,284
Prepaid expenses	7	3
	<u>67</u>	<u>2,179</u>
<b>Capital assets</b>	<b>7,657</b>	<b>13,620</b>
<b>Mineral properties</b>	<b>17,292</b>	<b>17,390</b>
	<u>\$ 25,016</u>	<u>\$ 33,189</u>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current</b>		
Accounts payable	\$ 1,499	\$ 3,903
Current portion of long term debt	-	1,240
Shareholder loan	645	-
	<u>2,144</u>	<u>5,143</u>
<b>Long term debt</b>	<b>-</b>	<b>8,939</b>
<b>Deferred foreign exchange gain</b>	<b>-</b>	<b>626</b>
<b>Provision for site restoration</b>	<b>1,026</b>	<b>1,026</b>
<b>Deferred gain on retirement of long term debt</b>	<b>-</b>	<b>10,216</b>
<b>Non-controlling interest</b>	<b>787</b>	<b>940</b>
	<u>3,957</u>	<u>26,890</u>
<b>Shareholders' equity</b>	<b>143,026</b>	<b>136,838</b>
Share capital (shares issued: 2000 - 148,202,115; 1999 - 68,830,142)		
Deficit	(121,967)	(129,744)
Foreign currency translation adjustment	-	(795)
	<u>21,059</u>	<u>6,299</u>
	<u>\$ 25,016</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 September 30, 2000		Nine Month Period Ended September 30, 1999	
<b>Deficit, beginning of period</b>	\$ (130,835)	\$ (117,492)	\$ (129,744)	\$ (122,284)
<b>Net income (loss) for the period</b>	<b>8,868</b>	<b>(944)</b>	<b>7,777</b>	<b>3,848</b>
<b>Deficit, end of period</b>	<b>\$ (121,967)</b>	<b>\$ (118,436)</b>	<b>\$ (121,967)</b>	<b>\$ (118,436)</b>
<b>Consolidated Statements of Operations</b>				
	Three Month Period Ended September 30, 2000		Nine Month Period Ended September 30, 1999	
<b>Revenue and operating costs</b>				
Revenue from sales	\$ -	\$ 3,202	\$ 6,618	\$ 10,598
Revenue from management services	95	-	95	-
Operating costs	21	2,853	6,395	9,254
	<u>74</u>	<u>349</u>	<u>318</u>	<u>1,344</u>
<b>Gross profit (loss)</b>	<b>74</b>	<b>349</b>	<b>318</b>	<b>1,344</b>
<b>Expenses</b>				
General and administrative	164	280	738	1,074
Interest on debt	-	162	-	657
Amortization	-	563	851	1,167
Other (income)	43	272	(44)	(157)
	<u>207</u>	<u>1,277</u>	<u>1,545</u>	<u>2,741</u>
<b>(Loss) before undernoted</b>	<b>(133)</b>	<b>(928)</b>	<b>(1,227)</b>	<b>(1,397)</b>
(Loss) on disposal of subsidiaries	(1,215)	-	(1,215)	-
Realization of deferred gain on retirement of long term debt	10,216	-	10,216	5,310
	<u>8,868</u>	<u>(928)</u>	<u>7,774</u>	<u>3,913</u>
<b>Income (loss) before income taxes</b>	<b>8,868</b>	<b>(928)</b>	<b>7,774</b>	<b>3,913</b>
<b>Income taxes - expense</b>	<b>4,000</b>	<b>-</b>	<b>4,000</b>	<b>2,368</b>
<b>- (recovery)</b>	<b>(4,000)</b>	<b>-</b>	<b>(4,000)</b>	<b>(2,352)</b>
	<u>8,868</u>	<u>(928)</u>	<u>7,774</u>	<u>3,897</u>
<b>Income (loss) before non-controlling interest</b>	<b>8,868</b>	<b>(928)</b>	<b>7,774</b>	<b>3,897</b>
<b>Non-controlling interest</b>	<b>-</b>	<b>(16)</b>	<b>3</b>	<b>(49)</b>
	<u>\$ 8,868</u>	<u>\$ (944)</u>	<u>\$ 7,777</u>	<u>\$ 3,848</u>
<b>Net income (loss) for the period</b>	<b>\$ 8,868</b>	<b>\$ (944)</b>	<b>\$ 7,777</b>	<b>\$ 3,848</b>
<b>Earnings (loss) per share</b>				
For the period - basic	\$ 0.128	\$ (0.016)	\$ 0.112	\$ 0.066
- fully diluted	\$ 0.115	\$ (0.014)	\$ 0.101	\$ 0.058

S. E. Hayden, President & CEO  
November 6, 2000

(Signed) S.E. Hayden  
President & CEO

(Signed) J. Johnstone  
V.P. Operations

Consolidated Statements of Cash Flow

(in thousands of Canadian dollars)  
(Unaudited)

	Three Month Period Ended September 30,		Six Month Period Ended September 30,	
	2000	1999	2000	1999
<b>Cash provided by (used in)</b>				
<b>Operating activities</b>				
Net income (loss) for the period	\$ 8,868	\$ (944)	\$ 7,777	\$ 3,848
Items not involving cash	(9,001)	641	(7,836)	(3,270)
	(133)	(303)	(59)	578
Changes in non cash working capital balances	237	43	929	(551)
Reduction of cash from disposal of subsidiary	(721)	-	(721)	-
	(617)	(260)	149	27
<b>Investing activities</b>				
Purchase of capital assets - net of grant	2	7	(184)	1,577
Expenditures on mineral properties	53	122	(7)	(297)
	55	129	(191)	1,280
<b>Financing activities</b>				
Long term debt, net of commissions	-	-	-	(2,031)
Issuance of share capital, net of issue costs	-	58	-	698
	-	58	-	(1,333)
<b>Increase (decrease) in cash for the period</b>	<b>(562)</b>	<b>(73)</b>	<b>(42)</b>	<b>(26)</b>
<b>Cash, beginning of period</b>	<b>571</b>	<b>138</b>	<b>51</b>	<b>91</b>
<b>Cash and short term deposits, end of period</b>	<b>\$ 9</b>	<b>\$ 65</b>	<b>\$ 9</b>	<b>\$ 65</b>

**BOARD OF DIRECTORS**

S.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  
J. Smith

**INTERNET**

World-wide Web Address:  
<http://www.caledoniamining.com>

**HEAD OFFICE**

**Canada - Head Office**  
Unit 5, 2155 Dunwin Drive  
Mississauga, Ontario  
L5L 4M1 Canada  
Tel: (905) 607-7543  
Fax: (905) 607-9806

**SHARES LISTED**

Toronto Stock Exchange - CAL  
NASDAQ OTC BB - CALVF

**CAPITALIZATION**

(September 30, 2000)  
Authorized: Unlimited  
number of common shares  
Issued Shares: 148,202,115  
Options & Warrants: 7,565,800

**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 St.  
Vancouver, British Columbia  
V6E 2L3 Canada

**BANK**

**Canadian Imperial Bank  
of Commerce**  
6266 Dixie Road  
Mississauga, Ontario  
L5T 1A7 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



**CALEDONIA**  
MINING CORPORATION

*Third Quarter Report*  
**2000**

*Letter to Shareholders*

**Financial Results**

Caledonia's debt restructuring and the sale of Filon Sur S.A. and Filon Sur's subsidiary, Fynergold Exploration Limited, was completed during the third quarter of 2000 upon receipt of regulatory approval. Under the terms of the sale agreement between the Canadian Imperial Bank of Commerce, the Oak Consortium and Caledonia, CIBC cancelled and returned to Caledonia its limited recourse guarantee of Filon Sur's outstanding debt and the Oak Consortium provided funding to Caledonia in the form of short term shareholder loans. Oak caused the conversion of the promissory note to common shares of Caledonia resulting in the issuance of 13,755,163 shares to CIBC and 13,123,362 shares to each of the five members of the Oak Consortium. Caledonia now has 148,202,115 common shares outstanding and no loan liabilities other than a shareholder loan in an amount of \$645,000.

The transaction has been made effective as of July 1, 2000. The Corporation has therefore recorded year to date net income of \$7.8 million (\$0.112 per share) primarily resulting from the realization of the deferred gain on the retirement of long term debt in 1999 in an amount of \$10.2 million. Partially offsetting this gain, is a loss on the sale of Filon Sur and Fynergold of \$1.2 million and a year to date operating loss of \$1.2 million. The loss from operations reflects activity of Filon Sur and Fynergold up to June 30, 2000. Net income for the third quarter of \$8.9 million (\$0.128 per share) has resulted from the realization of the deferred gain of \$10.2 million offset in part by the loss on the sale of Filon Sur of \$1.2 million and expenses of operations of \$0.1 million.

The completion of the sale of Filon Sur, the removal of debt and the emergence of a number of significant shareholders in Caledonia has now positioned the Corporation to move forward with its many properties and joint venture projects.

**Zambia**

At the Mulonga Plain joint venture between Caledonia and the BHP Entity a first phase stratigraphic drilling program is underway and will continue until the onset of the rainy season. Twelve stratigraphic drill holes are planned in this year's program. Further geochemical soil sampling on the Kashiji Plain licence area is being carried out.

In August, Caledonia signed a letter agreement with BHP World Minerals Inc. ("BHP") on Caledonia's 100% owned Kalimba Group properties ("Kalimba") in Northern Zambia. The 1,148 square kilometre Kalimba Group of Licences includes the Kalimba, Ngosa, Nama and Luamfula Exclusive Prospecting Licences. These licences are held by a wholly owned Zambian subsidiary of Caledonia and are located immediately to the north west of the Zambian Copperbelt. The letter agreement with BHP specifically excludes the drilled oxide resources on the Nama and Ngosa licence areas that were drilled by Caledonia.

BHP can earn a 30% equity interest in Kalimba by spending US\$2.5 million within the first four years or Initial Period and may increase its equity interest to 50% by spending an additional US\$4.0 million, thereby bringing its total spending during the Initial Period to \$6.5 million.

BHP, provided that it has earned a 50% equity interest in Kalimba during the Initial Period, may further increase its equity interest to 75% by completing a feasibility study.

The minimum exploration commitment by BHP during the Initial Period will be US\$ 2.5 million

Sampling crews are now in the field collecting geochemical samples and preparing geological maps. This sampling program started in September and is scheduled for completion by the end of November. To date, approximately 1,200 samples have been collected and will be sent for processing. **(continued over)**