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## CALIFORNIA GOLD MINING INC.

### **Management's Discussion and Analysis For the three and nine months ended May 31, 2020 and 2019**

*The following management discussion and analysis ("MD&A") of financial results is dated August 10, 2020 and reviews the business of California Gold Mining Inc. (the "Company" or "California Gold"), for the three and nine months ended May 31, 2020, and should be read in conjunction with the accompanying condensed interim consolidated financial statements and related notes for the three and nine months ended May 31, 2020 and 2019 (the "Financial Statements"), as well as the audited annual financial statements for the year ended August 31, 2019 and related MD&A. This MD&A and the accompanying Financial Statements for the three and nine months ended May 31, 2020 have been reviewed by the Company's Audit Committee and approved by the Company's Board of Directors. All figures shown are in Canadian dollars unless otherwise stated.*

*This MD&A contains certain forward-looking statements, such as statements regarding potential mineralization, resources and research results, and future plans and objectives of the Company, that are subject to various risks and uncertainties. There can be no assurance that such statements will prove to be accurate, and actual results and future events could differ materially from those anticipated in such statements. Readers are cautioned not to place undue reliance on these forward-looking statements. Forward-looking statements contained herein are made as of the date of this MD&A and the Company disclaims, other than as required by law, any obligation to update any forward-looking statements whether as a result of new information, results, future events, circumstances, or if management's estimates or opinions should change, or otherwise.*

#### **HIGHLIGHTS**

During the nine months ended May 31, 2020 and up to the date of the MD&A, the Company continued with its corporate and project activities. It is management's objective to ensure that fiscal 2020 delivers on the start up of the Hemp business and an uptrend in exploration activities at the Company's key projects. Highlights for the period include:

- On June 29, 2020, the Company announced that it closed the third and final tranche of the previously announced non-brokered private placement. The combined total raised in all three tranches was \$751,800 from the issuance of 4,698,750 common shares.
- On January 29, 2020, the Company announced the execution of an agreement with a North Carolina-based private hemp-CBD production company for the sale of CBD Isolate produced from the Company's wholly-owned, high-CBD hemp biomass
- On January 15, 2020, the Company announced execution of a sale agreement for its zero-THC distillate produced from the its wholly-owned hemp biomass.
- Harvest, and post-harvest treatment of the high-CBD hemp crop from its 100%-owned Grove Road farm in Kendall County, Illinois was successfully completed in October 2019.
- Additional high-CBD hemp biomass was purchased from farmers in Virginia and North Carolina in November 2019. The purchased hemp biomass was then converted into winterized and decarboxylated crude oil with 60 to 65% total cannabinoid content ("Crude Oil").
- The Company finalized the US\$3.0 million credit facility with a Toronto-based alternative credit firm Romspen Investment Corporation ("Romspen"). On July 17, 2019 the first advance of the loan for US\$1.5 million was completed, followed by the completion of the final advance of US\$1.5 million on September 24, 2019.

## A. COMPANY OVERVIEW

California Gold is a junior mineral exploration company engaged in the acquisition, exploration and development of mineral resource properties. The Company is currently not generating revenue from its mineral properties since it is in the mineral exploration stage.

From February 9, 2010 through April 12, 2013 the Company's common shares traded on the TSX Venture Exchange under the symbol "UCC". Effective as of April 15, 2013, the Company's common shares have traded under the symbol "CGM". Effective as of September 2, 2014, the Company's common shares have traded on the OTCQX marketplace under the symbol "CFGMF". Effective on March 25, 2019, the Company's common shares started to trade on the Canadian Securities Exchange (the "CSE") and ceased its listing on the TSX Venture Exchange.

The principal asset of the Company is the Fremont Property, located in Mariposa County, California. Prior to its acquisition of the Fremont Property, the Company's only material property was the "Dingman Property" that includes eight mining claims and related surface rights agreements in Hastings County near Madoc, Ontario. The Company completed its first mineral resource estimate for the Fremont Property which was reported on November 1, 2016, and the accompanying NI 43-101 Technical Report was filed on SEDAR on December 15, 2016 (the "**Technical Report**").

On March 28, 2019 the Company announced that the Company's Board of Directors approved the Company to enter into the high-CBD industrial hemp business. The initial business model included greenhouse-based propagation of high-CBD industrial hemp seed, as well as outdoor cultivation of industrial hemp, cash flow from which could be used to continue development of the Company's gold business, resulting in minimal dilution for shareholders.

## B. MINERAL PROPERTIES

Exploration expenditures of the Company for the nine months ended May 31, 2020 were \$3,109. The Company has been focusing its efforts on the development of the hemp business and limited exploration expenditures were budgeted. With the recent strengthening of gold prices and the gold market in general, management is considering a restart of the exploration activities at the Fremont Property, subject to approval by the Board of Directors. Approximately 40% of the ~10,000m drill program designed to test the Queen Specimen zone on the Fremont Property has been completed to-date. It is management's intention to complete the remaining 60% of the drill program using a portion of the cash flow expected to be generated from the Company's hemp business segment.

As of May 31, 2020, the Company had incurred \$15,661,632 of acquisition, improvement, exploration and development costs on the Fremont Property and \$3,473,929 of acquisition, improvement, exploration and development costs for the Dingman Property. The Company expenses exploration and evaluation expenditures and capitalizes property acquisition costs as incurred. Properties are reviewed for impairment on an annual basis. As of May 31, 2020, the Company's acquisition costs only include US\$4,810,000 for the Fremont Property, and these costs were capitalized.

Costs incurred by the Company on each of the Fremont Property and the Dingman Property for the year ended August 31, 2019 and nine months ended May 31, 2020 are set out below:

	Fremont	Dingman	Total Mineral Interests
Accumulated Costs			
Acquisition costs	\$ 5,872,691	\$ 2,139,055	\$ 8,011,746
Property improvement costs	13,210	—	13,210
Exploration costs	9,394,932	1,217,527	10,612,459
Development costs	128,122	110,500	238,622
Total as of August 31, 2018	<u>\$ 15,408,955</u>	<u>\$ 3,467,082</u>	<u>\$ 18,876,037</u>
Exploration Costs incurred for the year ended August 31, 2019			
Drilling	174,237	—	174,237
Exploration geologists	28,150	—	28,150
Analysis and laboratory	20,584	—	20,584
Geophysics	—	—	—
Storage	10,190	3,600	13,790
Professional fees	12,154	—	12,154
Technical studies	6,305	—	6,305
Total costs incurred for the year ended	<u>\$ 251,620</u>	<u>\$ 3,600</u>	<u>\$ 255,220</u>
Accumulated costs incurred:			
Acquisition costs	\$ 5,872,691	\$ 2,139,055	\$ 8,011,746
Property improvement costs	13,210	—	13,210
Exploration costs	9,646,552	1,221,127	10,867,679
Development costs	128,122	110,500	238,622
Total as of August 31, 2019	<u>\$15,660,575</u>	<u>\$3,470,682</u>	<u>\$19,131,257</u>
Exploration costs incurred nine months ended May 31, 2020			
Drilling	—	—	—
Exploration geologists	—	—	—
Analysis and laboratory	—	—	—
Geophysics	—	—	—
Storage	1,057	3,247	4,304
Professional fees	—	—	—
Technical studies	—	—	—
Total costs incurred for the period ended	<u>\$ 1,057</u>	<u>\$ 3,247</u>	<u>4,304</u>
Accumulated costs incurred:			
Acquisition costs	\$ 5,872,691	\$ 2,139,055	\$ 8,011,746
Property improvement costs	13,210	—	13,210
Exploration costs	9,647,609	1,224,374	10,871,983
Development costs	128,122	110,500	238,622
Total as of May 31, 2020	<u>\$15,661,632</u>	<u>\$3,473,929</u>	<u>\$19,135,561</u>

**NI 43-101 Mineral Resource Estimate - Fremont Property.**

On December 15, 2016, the Company filed its first NI 43-101 compliant mineral resource estimate for the Fremont Property. The mineral resource consists of the Pine Tree-Josephine zone only, which covers a strike length of roughly one kilometre, out of a total strike of four kilometres over which the Mother Lode shear zone is interpreted to extend on the Fremont Property.

This resource estimate compared favourably to the historical open pit resource at Pine Tree-Josephine. California Gold has a vast trove of historical assay data from deep mineralization at Pine Tree-Josephine that indicates extension of the mineralized zone well below the depth of the above resource estimate.

Management would like to note that roughly 60% of the total mineral resource is in the Indicated category. This, together with the successful exploratory drilling of new zones this past year, including the Queen Specimen zone, strongly suggests that the potential for resource expansion is high.

The mineral resource estimate, effective as of October 31, 2016, broken down by mineralized domains at the Pine Tree-Josephine zone, is outlined in the following table:

<b>Classification</b>	<b>Domain</b>	<b>Tonnes (x1000)</b>	<b>Gold Grade (g/t)</b>	<b>Contained Ounces (x1000)</b>
<b><u>Indicated</u></b>	Foot Wall Vein	323	2.39	25
	Hanging Wall Vein	731	2.30	54
	Mariposa Formation	465	1.45	22
	Melange	5,589	1.62	291
	Serpentinite	157	1.30	7
	Stringer Zone	2,097	1.74	117
	<b>Total Indicated</b>	<b>9,362</b>	<b>1.71</b>	<b>515</b>
<b><u>Inferred</u></b>	Foot Wall Vein	82	1.97	5
	Hanging Wall Vein	321	1.50	15
	Mariposa Formation	1,293	1.30	54
	Melange	3,298	1.64	174
	Serpentinite	1,877	0.89	54
	Stringer Zone	978	1.95	61
	<b>Total Inferred</b>	<b>7,850</b>	<b>1.44</b>	<b>364</b>

*Notes: CIM definitions were followed for classification of Mineral Resources. Mineral Resources are estimated at a cut-off grade of 0.5 g/t Au. Mineral Resources are estimated using a gold price of US\$1,400 per ounce. The resources are constrained by a Whittle pit shell. Numbers may not add due to rounding.*

*Mr. Vishal Gupta, the Company's President & CEO has reviewed and approved the information in this report. Mr. Gupta is a P.Geo. registered with the Association of Professional Geoscientists of Ontario (APGO), and a Qualified Person (QP) as defined under National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101").*

The resource estimate was completed by Tudorel Ciuculescu, M.Sc., P.Geo., of Roscoe Postle Associates Inc. ("RPA") of Toronto, Ontario, an Independent Qualified Person as defined by NI 43-101 in accordance with the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") Standards on Mineral Resources and Mineral Reserves, adopted by the CIM Council, as amended. The estimation methods used to generate the resource estimate are summarized below.

The resource estimate is based on results from 25,970.30 metres of drilling in 162 drill holes. Of this, 16,339.90 metres of drilling is attributable to 113 historical reverse circulation ("RC") drill holes, and 9,630.40 metres of drilling is attributable to 49 diamond drill holes drilled by California Gold since the acquisition of the Fremont Property by the Company in March 2013. Quality Assurance & Quality Control ("QA/QC") data generated during the various drill programs were independently verified by RPA as part of the project review.

The nine mineralized domains, in stratigraphic sequence from top to bottom, are: Serpentinite, Hanging Wall Vein, Melange, Foot Wall Vein, Stringer Zone and Mariposa Formation. The resource model consists of a detailed three-dimensional geological model including lithological, structural, and gold domains derived from 30 metre-spaced sections. Blocks measuring 5 metres by 5 metres by 5 metres were generated to populate the block model. Gold assay data were reviewed statistically and visually to determine appropriate grade capping levels by domain. Specific gravity measurements were used for 1,045 samples, determined on drill core pieces, generally 10 cm to 20 cm in length. Gold grades were interpolated using inverse distance to the third power in two passes. Ordinary kriging was also used as a check for estimating the block grades. Vertical sections and plan views were visually inspected, and swath plots of the various interpolation methods and composites were analyzed for block model validation.

For the Hanging Wall vein, the Melange, the Foot Wall vein and the Stringer Zone domains, the blocks interpolated in the first pass were subjected to a second numerical filtering stage, requiring the presence of two drill holes within an oriented search ellipse of 40 metres by 20 metres by 8 metres. In addition, a manual contour drawn on an inclined longitudinal section was used to discard patches of blocks that were not contiguous, thereby reflecting a wider drill spacing. Blocks retained inside the manual contour were classified as Indicated. The remaining blocks interpolated in pass one and two were classified as Inferred. For the Serpentinite and Mariposa domains, blocks interpolated in the first pass were classified as Inferred.

#### **Fremont Property –Activities Fiscal 2019**

On November 5, 2018 the Company released new assay results from the continuing resource drilling program at the Queen Specimen zone at its flagship Fremont property in Mariposa county, California. Assays for the previously drilled holes from the current program at Queen Specimen were announced in separate press releases dated Feb. 8, 2018, Feb. 21, 2018, March 5, 2018, April 3, 2018, April 9, 2018, and May 2, 2018, respectively as reported below under Activities Fiscal 2018.

These new results provide additional data in support of a second shallow mineral resource on the property covering the newly identified Queen Specimen mineralized zone. This zone is located in the northwest portion of the property and constitutes roughly 750 metres of strike length out of the total four-kilometre strike of the Mother Lode shear zone on the property. The three holes discussed in this press release were drilled as part of the resource drilling campaign at the Queen Specimen mineralized zone that commenced on Dec. 2, 2017.

The same lithological sequence was observed in these drill holes, as with previously analyzed drill holes in the Queen Specimen deposit, and in the Pine Tree-Josephine deposit, including a sequence of metavolcanic mafic rocks overlying a melange of serpentinized ultramafic rocks. These are separated from the underlying

metasedimentary rocks of the Mariposa formation by a zone of highly sheared and serpentized phyllonite that is characteristic of the shear zone. In addition to the sequence stated herein, a zone of fault-emplaced sediments is apparent within the hangingwall mafic metavolcanic rocks. This stratigraphic repetition may be due to thrust faulting or folding associated with dextral movement along the shear zone that has been observed in airborne magnetic data acquired for the Fremont project in 2016.

For further information, please refer to the November 5, 2018 press release.

#### **Fremont Property – Activities Fiscal 2018**

The Company commenced a substantial resource expansion drill program at its flagship Fremont Property on December 2, 2017. The main objective of the drill program is to generate a second mineral resource on the property covering the newly identified Queen Specimen mineralized zone. This zone is located in the north-west portion of the property, and constitutes roughly 750m of strike length, out of the total four kilometers strike of the Mother Lode shear zone on the property.

The current drill program consists of 50 to 60 HQ-sized (2.5-inch diameter) diamond drill holes, totaling roughly 10,000 m of drilling, with an average drill hole length of 180 m. For further information on the drill program, refer to the press release dated December 6, 2017.

Drill results from the current resource drilling program at Queen Specimen were announced in press releases published on February 8, 2018, February 21, 2018, March 5, 2018, April 3, 2018, April 9, 2018 and May 2, 2018. Each press release includes assays and geological interpretation from several drill holes. The results released to-date indicate the continuation of the near-surface gold mineralization along the strike of the Shear Zone and support management's thesis that there is potential to significantly expand the current open pit-constrained mineral resource at Pine Tree-Josephine along strike at Queen Specimen.

#### **Dingman Property**

The Company acquired its interest in the Dingman Property from Opawica Explorations Inc. ("Opawica") on January 29, 2010 pursuant to an option agreement dated July 31, 2009 between the Company and Opawica that transferred all of Opawica's interest in the Dingman Property to the Company, subject to an existing net smelter royalty. Concurrently with its acquisition of the Dingman Property, the Company also completed a financing and undertook other restructuring activities to focus the Company on the future development of the Dingman Property. No material work was completed on the Dingman Property during the nine months ended May 31, 2020.

### C. NEW HEMP BUSINESS

On November 5, 2018, the Company announced that it had submitted an application to Mariposa County seeking approval for the cultivation of industrial hemp on its 100%-owned, 3,351-acre Fremont property in Mariposa County, California. On March 28, 2019 the Company announced that the Company's Board of Directors approved the Company to enter into the high-CBD industrial hemp business. The initial business model included greenhouse-based propagation of high-CBD industrial hemp seed, as well as outdoor cultivation of industrial hemp. The Company also announced that it had received confirmation from Mariposa County's Planning Department that CGM will not be required to (1) seek re-zoning of the Property, (2) obtain a Conditional Use Permit, or (3) complete a California Environmental Quality Act review in order to implement its proposed plan to launch the industrial hemp project operations at Fremont.

With the recent passage of the 2018 US Farm Bill, which removed federal prohibitions on the cultivation and sale of industrial hemp in the US, subject to compliance with applicable regulations, CGM's management believed the timing of the County's confirmation was a very positive development for shareholders. Industry research organizations have been projecting substantial growth in the hemp-derived cannabinoid market over the next several years. One such organization, the Brightfield Group, published an article in September 2018 projecting the industrial hemp-derived CBD market could increase to over US\$22 billion by 2022<sup>(1)</sup>.

Management believes the Company is entering the cannabinoid-rich industrial hemp space that is in its infancy. With 100% ownership of the land, availability of water and power, highway connectivity, close vicinity of skilled and unskilled labour, and its location within the most populated state in the US, makes the Fremont property an ideal launchpad for CGM's high-CBD industrial hemp operations.

The Company initially planned to propagate entirely feminized low-THC, high-CBD industrial hemp seed in a 27,000 sq. ft. greenhouse (the "Greenhouse") on a portion of the Fremont property that is not currently used or needed in connection with its ongoing gold exploration business. The total capital expenditure associated with the Greenhouse is estimated to be roughly US\$2.0 million with a footprint of a little over one acre.

The execution of this proposed industrial hemp project is contingent on the Company obtaining additional permits from Mariposa County that include, but are not limited to, building permits, grading permits, water use and discharge permits and streambed alteration agreements. The Company would also need to complete registration with the State of California and the County's Agricultural Commissioner.

On July 17, 2019, the Company announced that due to delays in the roll-out of industrial hemp registration, sampling and testing protocols in the State of California, the Company's Board of Directors had approved the relocation of CGM's initial greenhouse from the Fremont property in California to the newly-purchased farm in Illinois, and that it has commenced outdoor cultivation of high-CBD industrial hemp biomass on approximately 40 acres of the Illinois property. The Company had retained consulting services of Chicago-based Delta Valley Hemp ("DVH") to aid in the development of the hemp business.

On December 2, 2019, the Company announced that as a result of its current focus on the production of finished extraction products produced from its hemp biomass, and management's projections for relatively quick revenue realization from this endeavour, CGM's Board of Directors has decided to temporarily defer the Company's plans to construct a greenhouse for hemp seed propagation on its Grove Road farm in Illinois.

(1) Website: Brightfield Group, <https://www.brightfieldgroup.com>, CBD Market Research, September 2018

### **Current Activities - Hemp Business**

#### **Grove Road Farm - Illinois**

On July 17, 2019, the Company announced that it had completed the purchase of a private 82.42-acre contiguous parcel of agricultural farm land in Kendall County, Illinois (the “Grove Road Farm”) and has commenced outdoor cultivation of high-CBD industrial hemp biomass on approximately 40 acres.

The Grove Road Farm property was purchased for a total price of US\$822,140. It is located just west of the town of Shorewood and just south east of the town of Plattville, in Kendall County, Illinois. The farm is laser-leveled and pattern-tiled through its entirety, which makes it much easier to work on and prevents standing water following heavy rainfall. The property has ready availability of three-phase power, water for irrigation and skilled farming labour. The Grove Road Farm is located in a rural agriculture-exempt region of Illinois, where there is no requirement for a building permit to construct a greenhouse.

CGM completed the harvest of its hemp crop at the Grove Road farm in Illinois on October 25th, 2019. The Company also executed a contract for turn-key, post-harvest processing of the harvested crop in Illinois with a private, multi-faceted, hemp-CBD corporation that recently customized a 64,000 sq. ft. warehouse in Oglesby, Illinois for post-harvest treatment of its plants.

Post-harvest treatment involves air-drying of hemp plants to bring total moisture content under 10% by weight, and removal of stems, branches, and leaves. The remaining dried flower content is the “biomass” that is eventually used in the extraction process. The post-harvest treatment of CGM’s crop was completed on November 27<sup>th</sup>, 2019 with total biomass yield of 11,117 lbs and an average CBD content of approximately 10% (“Illinois Biomass”).

This yield is significantly lower than what had been projected at the beginning of the project and can be directly attributed to the ‘one in 30 years’ rainfall experienced in the US mid-West during the 2019 cultivation season. Despite this shortfall in yield, the Illinois Biomass is expected to produce an operating profit for CGM.

While CGM’s Grove Road farm in Illinois was experiencing excessive rains this cultivation season, the weather patterns in Virginia and North Carolina were much more favourable to hemp cultivation. This is where the Company’s management team found an opportunity to off-set the diminished yields in Illinois.

For current status of future revenue please refer to the section below - Sales Contracts.

#### **Purchase of Additional Biomass in Virginia & North Carolina**

During the course of negotiating the toll-processing agreement with its new Extraction Partner, CGM’s management team learned of dozens of farming families (the “Farmers”) in southern Virginia and northern North Carolina cultivating high-CBD hemp crops in 2019. Preliminary discussions with these Farmers revealed that hundreds of thousands of pounds of hemp biomass are available for purchase at very reasonable terms.

An initial batch of 35,242 lbs of biomass (“Initial Batch”) was purchased between November 2019 and January 2020. In December 2020 the process of converting the biomass to crude oil had only just started. As of the current date, the majority of the Illinois Biomass and the Initial Batch has now been processed into a Crude Oil Extract. The final processing of the Crude Oil Extract into Zero-THC Distillate and CBD



Isolate is currently being completed. CGM's management team has decided to focus its efforts on the sale of these refined products instead of basic Crude Oil extracted from hemp biomass.

CGM's management team is evaluating the purchase of future successive batches of biomass, subject to approval by the Board of Directors, from the Farmers upon completing the sale of Zero-THC Distillate and CBD Isolate from the Illinois Biomass and the Initial Batch. At present time, there are several hundred thousand additional pounds of unsold, high-quality hemp biomass available for purchase by CGM.

For much of the quarter, severe restrictions on business operations in North Carolina owing to consistently high COVID-19 positive cases in the state, had a significant impact on the Company's ability to refine all of its purchased and grown industrial hemp biomass into saleable refined products through its Extraction Partner located in Oxford, North Carolina. Some of these pandemic-related restrictions have recently been relaxed in the state, as a result of which, the production of refined products has recommenced.

For current status of future revenue please refer to the section below - Sales Contracts.

### **Sales Contracts**

On January 15, 2020, the Company announced the execution of a sale agreement for its zero-THC distillate. Details of the terms of the Agreement are as follows:

- The Agreement relates to the sale of Zero-THC Distillate which is defined as an oil derived from hemp plants that contains zero percent tetrahydrocannabinol (or "THC") and greater than 80% cannabidiol (or "CBD") by weight;
- Purchase price has been set at US\$4,300 per litre of Zero-THC Distillate;
- CGM's Cost of Goods Sold ("COGS") associated with the production of Zero-THC Distillate is approximately US\$2,400 per litre;
- The term of the Agreement is one year, and the parties may complete additional sales of Zero-THC Distillate on a monthly basis during this term.
- An initial batch of up to 500 litres of Zero-THC Distillate is expected to be transacted upon within next quarter.

On January 29, 2020, the Company announced the execution of an agreement with a North Carolina-based private hemp-CBD production company for the sale of CBD Isolate produced from the Company's wholly-owned, high-CBD hemp biomass (the "Agreement").

- The Agreement relates to the sale of CBD Isolate which is defined as a crystalline solid or powder that contains greater than 99.5% cannabidiol (or "CBD") and less than 0.3% total tetrahydrocannabinol (or "THC") by dry weight derived from hemp plants;
- Purchase price has been set at US\$3,500 per kilogram of CBD Isolate;
- CGM's Cost of Goods Sold associated with the production of CBD Isolate is approximately US\$2,450 per kilogram;

- The term of the Agreement is one year, and the parties expect to complete sales of CBD Isolate recurring on a monthly basis during this term.

#### D. RESULTS OF OPERATIONS

##### Revenues

The Company has no revenue or sources of recurring revenues at this time.

##### Operating expense:

Operating expenses for the nine months ended:

	May 31, 2020	May 31, 2019
	\$	\$
Exploration expenses	4,304	303,845
Operating expenses (excluding share based payments)	1,288,282	1,495,295
Share based payments	96,944	285,150
Loss(gain) on foreign exchange	174,839	4,772
Net loss before items below	1,564,369	2,089,062
Gain on Biological Assets	(568,011)	-
Interest, accretion and bank charges	601,796	14,836
Net loss before other items for the period	1,598,154	2,103,898
Foreign exchange translation	(392,590)	(218,926)
Net comprehensive loss for the period	1,205,564	1,884,972

Net loss before other items below for the nine months ended May 31, 2020 decreased to \$1,598,154 from a loss of \$2,103,898 in the same period last year. The main reason for the significant decrease in the loss for the nine months ended May 31, 2020 is due to the significant decrease in exploration expenditures, operating expenses and shared based payments that were offset by the increase in foreign currency exchange losses for the period. Operating expenses, excluding share based payments, for the nine months ended May 31, 2020 decreased to \$1,288,282 from \$1,495,295 in the same period last year. The decrease in operating expenses is mainly due to the decrease in investor relations expenses and professional fees incurred to develop the Hemp business.

Exploration costs expensed for the nine months ended May 31, 2020 decreased to \$4,304 from \$303,845 in the same period last year. Expenditures were for core storage costs incurred for the nine months ended May 31, 2020. Details of spending by property is noted in Section B.

Operating expenses for the nine months ended May 31, 2020 decreased to 1,288,282 from \$1,495,295 in the same period last year. Operating expenses incurred during the nine months ended May 31, 2020 consist of the following significant items:

- Non-management salaries and wages for the nine months ended May 31, 2020 decreased to \$48,447 from \$73,507 in the same period last year. These expenses are for the Company's employee located at its Fremont Property. Expenses have decreased from the prior year as a result of reducing the number of employees on a full time basis when there is no active drill program and a refund of California payroll taxes. The number of employees typically increase at site in order to support the

drill core logging activities and soil sampling activities which was the case in for the first quarter of fiscal 2019.

- Investor relations expenses for the nine months ended May 31, 2020 decreased to \$82,783 from \$256,258 in the same period last year. For the nine months ended May 31, 2020 these expenses have decreased over last year as a result of decrease in travel costs related to investor relations activity and elimination of investor relations services over last year.
- Professional fees decreased to \$447,925 for the nine months ended May 31, 2020 from \$653,626 last year. The increase in the prior period is due to the increase in professional fees incurred for the development of the Hemp business. Professional fees incurred relate to legal and consultant type expense, incurred to build the business plan and obtain the required permits.
- Other general and administrative costs increased to \$135,737 for the nine months ended May 31, 2020 from \$4,429 in the same period last year. Increase in costs is mainly due to cost incurred for travel to the United States that was required to support the development of the hemp business.

#### *Interest, accretion and bank charges*

Interest and bank charges increased to \$601,796 for the nine months ended May 31, 2020 from \$14,836 in the same period last year. In the current period the majority of the expense is from the interest and accretion expense from the Romspen secured loan. For the nine months ended May 31, 2020, the Romspen loan interest expense was \$361,521 and accretion expense of \$230,745. The remainder of the interest expense was for interest charged on accounts payable.

#### *Other Comprehensive Gain or Loss*

The functional currency of the Company's United States subsidiaries is the US Dollar while the parent company, California Gold Mining Inc. has retained the Canadian dollar as its functional currency. Other comprehensive gain or loss is the result of the translation of the financial results of the Company's US subsidiaries into Canadian dollars for consolidation purposes. The cumulative effect of these translations is accounted for as part of the Company's equity. For the nine months ended May 31, 2020, the Company's other comprehensive gain was \$392,590 ( 2019 - \$218,926).

### **E. LIQUIDITY & CAPITAL RESOURCES**

The Company has historically not generated enough revenues to offset its expenses. Funding of the Company's exploration activities and administrative costs have been provided by equity offerings of the Company's securities.

Cash and cash equivalents as at May 31, 2020 were \$74,933 compared to \$69,632 as at August 31, 2019. Factors that could have an impact on the Company's liquidity are monitored regularly and include the market price of the Company's trading securities for the purposes of raising financing, exploration expenditures, developmental costs for the hemp business and operating costs. As at May 31, 2020, the Company reported working capital of \$2,785,071 compared to a working capital deficit of \$584,009 as of August 31, 2019.

On May 21, June 9 and June 29, 2020, the Company announced the closing of three tranches of a non-brokered private placement. The combined total of the three tranches was \$751,800 in gross proceeds from the issuance of 4,698,750 common shares.

On July 17, 2019, the Company announced that the US\$3.0 million credit facility previously announced in a press release on April 3, 2019, has now been finalized with Toronto-based alternative credit firm Romspen Investment Corporation (“Romspen”). The credit facility is secured by a first lien against Fremont Property and Grove Farm property.

The principal terms of the credit facility include the following: 12.0% per annum rate of interest, 12-month term with an additional 12-month extension at the Company’s option, interest-only payments that begin on the earlier of (a) November 1, 2019, and (b) the date Company achieves positive cash flow from operations, and the Company can pre-pay the entire principal amount upon providing Romspen with one month’s written notice. The Company has now exercised its option to a 12 month extension of the secured loan,

In addition, the Company issued Romspen 300,000 common share purchase warrants with an exercise price of \$0.50 and an expiration date 24 months from the date of issuance. Such warrants and the underlying common shares are subject to a hold period expiring four months and one day following their issuance.

The use of proceeds from the Romspen credit facility included an initial advance of US\$1.5 million that was used to purchase the Grove Road Farm in Kendall County, Illinois and for working capital for the outdoor cultivation operation. The remaining US\$1.5 million was used for further development of the Hemp business and working capital.

In September 2019, some 638,000 warrants were exercised for gross proceeds of \$319,000 which resulted in the issued of 638,000 common shares.

On May 7, 2019, the Company announced that it accelerated the expiry dates of all outstanding common share purchase warrants of the company issued pursuant to the financings of the Company that were completed on March 12, 2018, April 28, 2018, August 14, 2018, and August 30, 2018. The total number warrants exercised during the period May 7, 2019 to June 6, 2019 were 4,588,070. A total of 4,588,070 common shares were issued which generated gross proceeds of \$2,294,035.

## F. QUARTERLY INFORMATION

Selected quarterly information for the eight most recently completed quarters is presented below in Canadian currency (\$), and in accordance with International Financial Reporting Standards.

	2020 Q3	Q2	Q1	2019 Q4	Q3	Q2	Q1	2018 Q4
	\$000’s	\$000’s	\$000’s	\$000’s	\$000’s	\$000’s	\$000’s	\$000’s
Revenues	-	-	-	-	-	-	-	-
Loss before Comprehensive								
Income(loss)	(623)	(610)	(365)	(1,610)	(658)	(688)	(757)	(604)
Comprehensive loss	(355)	(493)	(357)	(1,606)	(493)	(729)	(663)	(487)
Loss per share	(0.01)	(0.01)	(0.01)	(0.02)	(0.01)	(0.02)	(0.01)	(0.01)

## **G. OFF-BALANCE SHEET ARRANGEMENTS**

The Company currently has no off-balance sheet arrangements with any parties as at May 31, 2020.

## **H. TRANSACTIONS WITH RELATED PARTIES**

Transactions with related parties are set out in Note 10 to the Financial Statements.

## **I. CAPITALIZATION**

The Company is authorized to issue an unlimited number of voting common shares, an unlimited number of non-voting first preferred shares and an unlimited number of non-voting second preferred shares.

As of May 31, 2020, the Company had the following capital stock position:

Common shares outstanding	62,128,269
Warrants outstanding	300,000
Options outstanding	5,250,000

Basic common shares outstanding is 62,128,269. Fully diluted shares outstanding which includes all issued common shares, warrants, broker warrants and options totals 67,678,269.

On November 30, 2019, the Company announced that it granted 4,340,000 options to officers, directors, employees and consultants of the Company. Each option is exercisable into one common share at an exercise price of \$0.50 and has a term of five years. Options to officers and directors have a vesting provision over a period of 2 years.

Subsequent to the Company's fiscal year-end, the majority of warrants and broker warrants outstanding expired. The total warrants outstanding as at the date of this report are 300,000 warrants and zero broker warrants.

For further information on the Company's capital, please refer to the notes of the Financial Statements (Note 5 – Share Capital, Note 6 – Options, Note 8 – Broker Warrants, Note 9 – Warrants).

## **J. RISKS AND UNCERTAINTIES**

### *COVID 19 Pandemic*

The Company is subject to various market, political and regulatory trends as a result of the COVID-19 situation and additional business and financial risks that may result therefrom. The duration of the COVID-19 outbreak and the resultant travel restrictions, social distancing, Government response actions, business closures and disruptions, can all have an impact on the Issuer's operations and access to capital. There can be no assurance that the Issuer will not be impacted by adverse consequences that may be brought about by the COVID-19 pandemic on global financial markets, share prices and financial liquidity and that may severely limit the financing capital available to the Company.

For much of the quarter, severe restrictions on business operations in North Carolina owing to consistently high COVID-19 positive cases in the state, had a significant impact on the Issuer's ability to refine all of its purchased and grown industrial hemp biomass into saleable refined products through its Extraction Partner located in Oxford, North Carolina. Some of these pandemic-related restrictions have recently been relaxed in the state, as a result of which, the production of refined products has recommenced. There can be no assurance that these restrictions will not be re-imposed on businesses in North Carolina in the future,

which could impact the Issuer's ability to complete production of saleable refined products and realize revenue from the sale of those products.

#### *Title and access to properties*

The Company's principal activity is mineral exploration and development. Companies in this industry are subject to many and varied kinds of risks, including but not limited to, environmental, decisions and policies of governmental authorities, metal prices, political and general economic conditions. Although the Company has taken steps to verify the title to its mineral interests, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects. The Company is dependent on the cooperation of surface rights holders to provide timely access to the Dingman Property. The Company has had ongoing disputes with the surface rights owners of the Dingman Property and cooperation of the surface rights owners in facilitating access to the Dingman Property for the Company cannot be assured. The Company has no significant source of operating cash flow and no revenues from operations.

#### *Business Risk*

The preliminary economic assessment on the Dingman Property indicated that at a base gold price of US\$1,500/oz or less, the Dingman Project was not expected to be economically feasible. The Fremont Property now has a mineral resource estimate, but neither the Fremont Property nor the Dingman Property has any mineral reserves (both as defined by NI 43-101). Substantial expenditures are required to be made by the Company to establish ore reserves. The Fremont Property and Dingman Property interests owned by the Company are in the exploration stage only, are without known bodies of commercial mineralization and have no ongoing mining operations. Mineral exploration involves a high degree of risk and few properties, which are explored, are ultimately developed into producing mines. Exploration of the Company's properties may not result in any discoveries of commercial bodies of mineralization. If the Company's efforts do not result in any discovery of commercial mineralization, the Company will be forced to look for other exploration projects or cease operations.

#### *Conflicts of Interest of Directors*

Certain of directors of the Company are associated with other companies involved in the mining industry. These associations may give rise to conflicts of interest from time to time. The Company's policy on conflicts of interest complies with the procedures established in the *Business Companies Act* (Ontario), which sets out the necessity of full disclosure of any conflict of interest prior to the Board dealing with the subject matter giving rise to the conflict of interest and the interested party refraining from voting on such matter. The directors are further required to act honestly and in good faith with a view to the best interests of the Company and its shareholders.

#### *Financing Risk*

To fund future investments in its mineral properties the Company requires capital. The Company may not have sufficient internally generated cash flow and working capital and may have to access the capital markets. Subject to economic conditions at the time, there can be no assurance the Company would be able to raise additional debt or equity financing on acceptable terms. If the Company cannot finance its future projects it could have a material and adverse effect on the Company's future cash flows, earnings, results of operations and financial condition.

#### *The Company is Dependent on Key Officers and Employees*

The Company is dependent on the efforts of key officers, including its Chief Executive Officer and Chief Financial Officer. The loss of the services of any of the Company's key officers and employees could have an adverse effect on California Gold, which could have a material adverse effect on the Company's future

cash flows, earnings, results of operations and financial conditions. The Company does not have and currently has no plans to obtain key man insurance with respect to any of its key employees. In addition, the Company may need to recruit and retain other qualified managerial and technical employees to build and maintain its operations. If the Company requires such persons and is unable to successfully recruit and retain them, its development and growth could be significantly curtailed.

#### *Gold Price*

The ability of California Gold to raise capital is dependent on the price of gold. Gold prices fluctuate on a daily basis and are affected by a number of factors beyond the control of the Company, including the U.S. dollar exchange rate with other currencies, central bank lending and sales, producer hedging activities, global demand, production costs, confidence in the global monetary system, expectations of the future rate of inflation, the availability and attractiveness of alternative investment vehicles, the strength of the U.S. dollar (the currency in which the price of gold is generally quoted), interest rates, terrorism and war, and other global or regional political or economic events or conditions.

The future trend in the price of gold cannot be predicted with any degree of certainty. The market price of gold affects the economics of any potential development project and the viability of current operations, as well as having an impact on the perceptions of investors with respect to gold equities, and therefore, the ability of the Company to raise capital. A decrease in the market price of gold and other metals could affect the California Gold's ability to finance the exploration and development of the Company's properties could curtail further exploration or development due to lack of capacity to finance. There can be no assurance that the market price of gold will remain at current levels, that such prices will increase or that market prices will not fall.

#### *Currency Risk*

By virtue of the location of its exploration activities, the Company incurs costs and expenses United States dollar. Exchange rates have varied substantially in the last three years. Financings typically raise funds in Canadian dollars. The majority of exploration expenditures are incurred in U.S. dollars exposing the Company to potential significant foreign currency translation and transaction exposures, which could have a material and adverse effect on the Company's future cash flows, earnings, results of operations and financial condition. The Company currently does not hedge against other currencies and maintains the majority of its cash in Canadian dollars.

#### *Government Regulation*

The Company's mining operations and exploration and development activities are subject to laws and regulations governing health and worker safety, employment standards, exports, price controls, taxation, waste disposal, management and use of toxic substances and explosives, protection of the environment, mine development, protection of endangered and protected species, reclamation, historic and cultural preservation and other matters. Furthermore, the Company requires a number of different permits and licenses in order to carry on its business. Failure to comply with applicable laws, regulations and permits, even if inadvertent, may result in enforcement actions thereunder, including the forfeiture of claims, orders by regulatory or judicial authorities requiring operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or costly remedial actions, which could have a material and adverse effect on the Company's future cash flows, earnings, results of operations and financial condition. The Company may be required to compensate those suffering loss or damage by reason of its activities and may have civil or criminal fines or penalties imposed for violations of such laws, regulations and permits, which could have a material and adverse effect on the Company's future cash flows, earnings, results of operations and financial condition. It is possible that future changes in applicable laws, regulations, agreements or changes in their enforcement or regulatory interpretation could result in changes in legal requirements or in the terms and conditions of existing permits and

agreements applicable to the Company or its properties, which could have a material and adverse effect on the Company's future cash flows, earnings, results of operations and financial condition. Where required, obtaining necessary permits can be a complex, time consuming process and the Company cannot assure that any necessary permits will be obtainable on acceptable terms, in a timely manner or at all. The costs and delays associated with obtaining necessary permits and complying with these permits and applicable laws and regulations could stop or materially delay or restrict the Company from proceeding with the development of an exploration project or the operation or further development of a mine, which could have a material and adverse effect on the Company's future cash flows, earnings, results of operations and financial condition. There can be no guarantee that the Company will be able to obtain or maintain all necessary licenses and permits that may be required to explore and develop its properties, commence construction or operation of mining facilities and or to maintain continued operations that economically justify the cost.

#### *Operating Hazards and Risks*

Mineral exploration involves many risks. The operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, any of which could result in work stoppages and damage to persons or property or the environment and possible legal liability for any and all damage. Fires, power outages, labour disruptions, flooding, landslides and the inability to obtain suitable or adequate machinery, equipment or labour are some of the risks involved in the conduct of exploration programs.

#### *Environmental Compliance*

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to permitting, property reclamation, discharge of hazardous material and other matters. These laws and regulations may change at any time prior to the granting of necessary approvals. The support of local politicians and/or communities may be required to obtain necessary permits and approvals and such support cannot be assured.

The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current properties that may result in material liability to the Company. Since acquiring the Fremont Property, the Company continues to be exposed to risks similar to those when developing the Dingman Property. However, the Fremont Property is located in California, United States, which has different, and in many cases more stringent, environmental and permitting requirements than Ontario, Canada. The Company's ability to complete exploration work within planned budgets and using financial resources on hand will be affected by movements in the Canadian Dollar-US Dollar exchange rate.

### **K. CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS**

These statements are subject to known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those implied by the forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks as set forth herein.

This Management's Discussion and Analysis contains "forward-looking statements, within the meaning of applicable Canadian Securities legislation", that involve a number of risks and uncertainties. Forward looking statements include, but are not limited to, statements with respect to the future price of gold, the



estimation of mineral reserves and resources, the realization of mineral estimates, the timing and amount of estimated future production, costs of production, capital expenditures, costs and timing of the development of new deposits, success of exploration activities, permitting time lines, currency exchange rate fluctuations, requirements for additional capital, government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims, limitations on insurance coverage and timing and possible outcome of pending litigation. Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “expects”, or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates”, or “does not anticipate”, or “believes”, or variations of such words and phrases or state that certain actions, events or results “may”, “could”, “would”, or “might” be taken, occur or be achieved. Forward-looking statements are based on the opinions and estimates of management as of the date such statements are made, and they involve known and unknown risks, uncertainties and other factors which may cause the actual results, level of activity, performance or achievements of the Company to be materially different from any other future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others: risks relating to integration of acquisitions, the actual results, costs and timing of current exploration activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; failure of equipment or processes to operate as anticipated; accidents, labour disputes, disputes concerning property access rights, and other risks of the mining industry; delays in or inability to obtain governmental approvals or financing; and fluctuations in metal prices and foreign exchange rates. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. The Company undertakes no obligation to update forward-looking statements if circumstances or management’s estimates or opinions should change. Accordingly, readers are cautioned not to place undue reliance on forward looking statements.

#### **L. OTHER**

The Corporate Office and mailing address of the Company is the 150 King Street West, Suite 2106, Toronto, Ontario, M5H 1J9.

The Registered Office is located at TD Centre, 77 King Street West, Suite 3000, Toronto, Ontario M5K 1G8.

Additional information relating to the Company may be found on SEDAR at [www.sedar.com](http://www.sedar.com).