

## FORM 7

### **MONTHLY PROGRESS REPORT**

Name of Listed Issuer: California Gold Mining Inc. (the "Issuer").

Trading Symbol: CGM

Number of Outstanding Listed Securities: 60,409,519

Date: January 7, 2020

This Monthly Progress Report must be posted before the opening of trading on the fifth trading day of each month. This report is not intended to replace the Issuer's obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by Exchange Policies. If material information became known and was reported during the preceding month to which this report relates, this report should refer to the material information, the news release date and the posting date on the Exchange website.

This report is intended to keep investors and the market informed of the Issuer's ongoing business and management activities that occurred during the preceding month. Do not discuss goals or future plans unless they have crystallized to the point that they are "material information" as defined in the Policies. The discussion in this report must be factual, balanced and non-promotional.

#### **General Instructions**

- (a) Prepare this Monthly Progress Report using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the items must be in narrative form. State when the answer to any item is negative or not applicable to the Issuer. The title to each item must precede the answer.
- (b) The term "Issuer" includes the Issuer and any of its subsidiaries.
- (c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

#### **Report on Business**

1. Provide a general overview and discussion of the development of the Issuer's business and operations over the previous month. Where the Issuer was inactive disclose this fact.

On December 9, 2019 the Company issued a press release that provided an updated of its operations as follows:

- The Company anticipates realizing its first-ever operating profit in Q1 2020;
- Toll-extraction agreement with an industry-leading, North Carolina-based extraction and processing company has been executed;
- Harvest, and post-harvest treatment of the high-CBD hemp crop from its 100%-owned Grove Road farm in Kendall County, Illinois has been successfully completed;
- Additional high-CBD hemp biomass has been purchased from farmers in Virginia and North Carolina;
- Processing of the Company's wholly owned hemp biomass into winterized and decarboxylated crude oil with 60 – 65% total cannabinoid content ("Crude Oil") has commenced;
- The Company projects production of 2,200 - 2,500 litres of Crude Oil by year-end; current wholesale prices for Crude Oil range from US\$900 to US\$1,250 per litre;
- CGM is finalizing a second toll-extraction agreement with an Arizona-based extraction company to produce distillate with 70 – 80% total cannabinoid content ("Distillate"); and
- The Company projects production of 600 – 700 litres of Distillate in Q1 2020 in addition to its Crude Oil; current wholesale prices for Distillate range from US\$2,600 to US\$3,250 per litre.

Further details on each of the above items is set forth below.

California Gold's President and CEO, Mr. Vishal Gupta stated, "We are delighted that despite our recent entry into the high-CBD hemp space and the prevalent industry-wide price compression, CGM is well-positioned to post a healthy operating profit in Q1 2020. The completion of our crop harvest in Illinois, and partnership with an industry-leading cannabinoid extraction company in North Carolina, are important operational milestones for the Company. Even more significant are the relationships that the Company has recently formed with several farming families in Virginia and North Carolina that have the potential to transform a one-time revenue-generation event resulting from the sale of cannabinoid-rich finished products extracted from our hemp biomass harvested in Illinois, into a continuous revenue stream due to the availability of several hundred thousand pounds of unsold, high-quality hemp biomass in these farming communities."

### **Toll-Extraction Services Secured**

After investigating more than a dozen different extraction companies over the course of three months, CGM executed a toll-extraction agreement with a North Carolina-based company ("Extraction Partner") to produce finished cannabinoid-rich oils and isolates.

CGM retained an industry-renowned expert in extraction technologies to conduct due diligence on its Extraction Partner, and the following boxes were checked:

- (a) High-efficiency, ethanol- and heptane-based extraction technology;
- (b) High-quality end products;
- (c) Significant operating capacity to produce finished hemp-CBD products in bulk;
- (d) Competitive pricing for toll-extraction;
- (e) Willingness to schedule CGM's biomass extraction ahead of others; and
- (f) Ability to create a variety of end-products as per CGM's specifications.

The toll-processing agreement was signed on October 24th, 2019.

### **Illinois Harvest & Post-Harvest Treatment**

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 we had 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.

### **Identification & 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 on November 27<sup>th</sup>, 2019. Approximately 65% of this Initial Batch has now been processed into Crude Oil. Processing of the remaining 35% is expected to be completed by year-end.

*Total Crude Oil production from the Initial Batch is expected to be between 2,200 and 2,500 litres by year-end. Wholesale prices for Crude Oil are currently ranging between US\$900 and US\$1,250 per litre.*

*CGM's Board of Directors is currently evaluating the purchase of successive batches of biomass from the Farmers upon completing the sale of Crude Oil from the Initial Batch. At present time, there are several hundred thousand additional pounds of unsold, high-quality hemp biomass available for purchase by CGM.*

### **Second Toll-Extraction Agreement & Off-Take Agreements Being Negotiated**

*The Company is currently negotiating a second toll-extraction agreement with an Arizona-based extraction company to produce high-margin Distillate.*

*The Company is also currently in discussions with several interested purchasers who have requested samples of its Crude Oil in order to conduct their own testing of the product before placing purchase orders. Management expects the Company to start generating revenue from the sale of its finished extraction products in January 2020.*

*As a result of the Company's current focus on the production of finished extraction products, 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.*

## **2. Provide a general overview and discussion of the activities of management.**

*California Gold Mining Inc. continues its development of a high-quality gold resource on its 100%-owned Fremont Property in Mariposa County, California. The Property consists of an entirely private and patented land package totaling 3,351 acres of historically producing gold mines, with a state highway, PG&E electric substation and abundant water present on the Property itself. The Property lies within California's prolific Mother Lode Gold Belt that has produced over 50 million oz of gold. The Company purchased the Property in March 2013.*

*The Company is also in the process of establishing an outdoor, high-CBD industrial hemp biomass cultivation operation on the newly-acquired Grove Road Farm property in Kendall County, Illinois. The Company plans to use a portion of cash flow from its hemp biomass and hemp seed operations to continue development of its gold business, with minimal dilution for shareholders.*

## **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.

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.

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

## **Fremont Property – Current 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 serpentinized 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.

### **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:

Classification	Domain	Tonnes (x1000)	Gold Grade (g/t)	Contained Ounces (x1000)
<u>Indicated</u>	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>
<u>Inferred</u>	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").

- Describe and provide details of any new products or services developed or offered. For resource companies, provide details of new drilling, exploration or production programs and acquisitions of any new properties and attach any mineral or oil and gas or other reports required under Ontario securities law.

*Noted in section 1 and 2 – New Hemp Business.*

- Describe and provide details of any products or services that were discontinued. For resource companies, provide details of any drilling, exploration or production programs that have been amended or abandoned.

*Noted in section 1 and 2 – New Hemp Business.*

5. Describe any new business relationships entered into between the Issuer, the Issuer's affiliates or third parties including contracts to supply products or services, joint venture agreements and licensing agreements etc. State whether the relationship is with a Related Person of the Issuer and provide details of the relationship.

*Noted in section 1 and 2. – New Hemp Business*

6. Describe the expiry or termination of any contracts or agreements between the Issuer, the Issuer's affiliates or third parties or cancellation of any financing arrangements that have been previously announced.

*Not applicable.*

7. Describe any acquisitions by the Issuer or dispositions of the Issuer's assets that occurred during the preceding month. Provide details of the nature of the assets acquired or disposed of and provide details of the consideration paid or payable together with a schedule of payments if applicable, and of any valuation. State how the consideration was determined and whether the acquisition was from or the disposition was to a Related Person of the Issuer and provide details of the relationship.

*Not applicable.*

8. Describe the acquisition of new customers or loss of customers.

*Not applicable.*

9. Describe any new developments or effects on intangible products such as brand names, circulation lists, copyrights, franchises, licenses, patents, software, subscription lists and trade-marks.

*Noted in section 1 and 2. – New Hemp Business.*

10. Report on any employee hirings, terminations or lay-offs with details of anticipated length of lay-offs.

*Not applicable.*

11. Report on any labour disputes and resolutions of those disputes if applicable.

*Not applicable.*

12. Describe and provide details of legal proceedings to which the Issuer became a party, including the name of the court or agency, the date instituted, the principal parties to the proceedings, the nature of the claim, the amount claimed, if any, if the proceedings are being contested, and the present status of the proceedings.

*Not applicable.*

13. Provide details of any indebtedness incurred or repaid by the Issuer together with the terms of such indebtedness.

*Not applicable.*



14. Provide details of any securities issued and options or warrants granted.

Security	Number Issued	Details of Issuance	Use of Proceeds <sup>(1)</sup>
NA			

*(1) State aggregate proceeds and intended allocation of proceeds.*

15. Provide details of any loans to or by Related Persons.

*Not applicable.*

16. Provide details of any changes in directors, officers or committee members.

*Not applicable.*

17. Discuss any trends which are likely to impact the Issuer including trends in the Issuer's market(s) or political/regulatory trends.

*Not applicable.*

## Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Certificate of Compliance.
2. As of the date hereof there were is no material information concerning the Issuer which has not been publicly disclosed.
3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CNSX Policy 1).
4. All of the information in this Form 7 Monthly Progress Report is true.

Dated January 7, 2020.

Louis R. Nagy  
**Name of Director or Senior Officer**

Signed "Louis R. Nagy"  
**Signature**  
Chief Financial Officer  
**Official Capacity**

<b>Issuer Details</b> Name of Issuer  California Gold Mining Inc.	For Month End  December 2019	Date of Report YY/MM/DD  20/01/07
Issuer Address  The Exchange Tower, 130 King Street West, Suite 1800		
City/Province/Postal Code  Toronto, Ontario M5X 1E3	Issuer Fax No.  647-977-9268	Issuer Telephone No.  647-977-9267
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