# CALIFORNIA GOLD MINING INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED AUGUST 31, 2017 AND 2016

*The following management discussion and analysis ("MD&A") of financial results is dated December 20, 2017 and reviews the business of California Gold Mining Inc. (the "Company" or "California Gold"), for the year ended August 31, 2017, and should be read in conjunction with the accompanying audited annual consolidated financial statements and related notes for the year ended August 31, 2017 (the "Financial Statements"). This MD&A and the accompanying Financial Statements for the year ended August 31, 2017 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 year ended August 31, 2017, the Company continued with its corporate and project activities. It is management's objective to ensure that fiscal 2017 delivers an uptrend in exploration activities at the Company's key projects. Highlights for the year ended 2017 and current period include:

- On December 15, 2016, the Company filed its first mineral resource estimate for its flagship Fremont gold project located in Mariposa County, California (the "Fremont Property", or the "Property"). The mineral resource estimate was first announced in the Company's press release dated November 1, 2016, and consists of the Pine Tree-Josephine zone only, that 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 Property. The resource estimate reports Indicated resources of 515,000 ounces grading 1.71 g/t gold and additional Inferred resources of 364,000 ounces grading 1.44 g/t gold using a cut-off grade of 0.5 g/t gold. For full details please refer to the NI 43-101 Technical Report filed on SEDAR on December 15, 2016;

- On October 3, 2016, the Company announced the first exploratory drill results from the Fremont Property. The highlights included a 9.1m intersection grading 3.73 g/t Au, including a 4.6m intersection grading 4.85 g/t Au, and a 15.8m intersection grading 2.20 g/t Au at the recently discovered Queen Specimen mineralized zone;

- During the first three months of fiscal 2017, the Company completed two private placements, which consisted of issuing 1,855,806 units ("**Units**") for gross proceeds of $1,206,274. Each Unit was comprised of one common share and one half of one common share purchase warrant.

- Subsequent to year end, the Company completed two private placements, the first on September 21, 2017 and the second November 20, 2017. Gross proceeds from these two private placements totaled $3.2 million and will be used for working capital and the new resource expansion drill program announced on December 6, 2017.

## 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".

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**").

## B. MINERAL PROPERTIES

The Company's primary focus is the exploration and development activities at its Fremont Property. Exploration expenditures of the Company for the year ended August 31, 2017 were $448,592 which were mainly from the completion of the NI 43-101 technical report.

As of August 31, 2017, the Company had incurred $13,437,655 of acquisition, improvement, exploration and development costs on the Fremont Property and $3,460,499 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 August 31, 2017, 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, 2017 and year ended August 31, 2016 are set out below:

| | Fremont | Dingman | Total Mineral Interests |
|---|---|---|---|
| Accumulated costs incurred as of August 31, 2015 | | | |
| Acquisition costs | $ 5,872,691 | $ 2,139,055 | $ 8,011,746 |
| Property improvement costs | 13,210 | – | 13,210 |
| Exploration costs | 1,922,400 | 1,268,269 | 3,190,669 |
| Development costs | 128,122 | 30,561 | 158,683 |
| Total as of August 31, 2015 | $ 7,936,423 | $ 3,437,885 | $ 11,374,308 |

Costs incurred for the year ended August 31, 2016

| | | | |
|---|---|---|---|
| Exploration costs | | | |
| Drilling | $ 3,261,556 | – | $ 3,261,556 |
| General labour and contractors | 580,378 | – | 580,378 |
| Exploration geologists | 408,396 | – | 408,396 |
| Analysis and laboratory | 486,895 | – | 486,895 |
| Geophysics | 113,580 | – | 113,580 |
| Professionals & consultants | 81,877 | – | 81,877 |
| Storage | 60,277 | 5,700 | 65,977 |
| Core logging | 23,048 | – | 23,048 |
| Mapping and digitizing | 31,320 | – | 31,320 |
| Other | 22,227 | – | 22,227 |
| Total costs incurred for the year ended | $ 5,069,554 | $ 5,700 | $ 5,075,254 |
| Accumulated costs incurred: | | | |
| Acquisition costs | $ 5,872,691 | $ 2,139,055 | $ 8,011,746 |
| Property improvement costs | 13,210 | – | 13,210 |
| Exploration costs | 6,991,954 | 1,273,969 | 8,265,923 |
| Development costs | 128,122 | 30,561 | 158,683 |
| Total as of August 31, 2016 | $ 13,005,977 | $ 3,443,585 | $ 16,449,562 |

| | | | |
|---|---|---|---|
| Costs incurred for the year ended August 31, 2017 | | | |
| Exploration costs | | | |
| Drilling | 107,166 | – | 107,166 |
| Exploration geologists | 83,863 | – | 83,863 |
| Analysis and laboratory | 10,210 | – | 10,210 |
| Geophysics | 49,876 | - | 49,876 |
| Storage | 376 | 4,000 | 4,376 |
| Core logging | 8,167 | - | 8,167 |
| Technical Studies | 172,020 | 12,914 | 184934 |
| Total costs incurred for the period ended | $ 431,678 | $ 16,914 | $ 448,592 |
| | | | |
| Accumulated costs incurred: | | | |
| Acquisition costs | $ 5,872,691 | $ 2,139,055 | $ 8,011,746 |
| Property improvement costs | 13,210 | – | 13,210 |
| Exploration costs | 7,423,632 | 1,290,883 | 8,714,515 |
| Development costs | 128,122 | 30,561 | 158,683 |
| | | | |
| Total as of August 31, 2017 | $ 13,437,655 | $ 3,460,499 | $ 16,898,154 |

**Fremont Property - Activity in the first four months of 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 is expected to be completed in the second quarter of 2018. It will consist of 60 to 65 HQ-sized (2.5-inch diameter) diamond drill holes, totaling 10,500 m to 12,000 m of drilling, with an average drill hole length of 180 m.

For further information on the program, refer to the press release dated December 12, 2017.

**Fremont Property - Activity during fiscal 2017**

On December 15, 2016, the Company filed its first NI 43-101 compliant mineral resource estimate for the Freemont 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 Freemont 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) |
|---|---|---|---|---|
| Indicated | 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 |
| | **Total Indicated** | **9,362** | **1.71** | **515** |
| Inferred | 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 |
| | **Total Inferred** | **7,850** | **1.44** | **364** |

*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 Freemont 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 six 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.

*Preliminary Metallurgical Test Results (2014)*

Company management note that on August 5, 2014, successful results were announced from a preliminary metallurgical test program focused on the Pine Tree-Josephine mineralized zone. The metallurgical test results, categorized into separate metallurgical domains, are as follows:

- **Gold concentrate grade of 139 g/t (4.5 oz/t) and recoveries of 94%** achieved through a combination of gravity and flotation for quartz-hosted sulphide mineralization;

- **Gold concentrate grade of 58 g/t (1.9 oz/t) and recoveries of 86%** achieved through a combination of gravity and flotation for sulphide replacement mineralization; and

- **Gold recoveries of 93% achieved over 10 days** through a coarse bottle roll cyanide leach test on a minus 25mm (~1 inch) composite from oxide mineralization.

For detailed discussion on the results of the mineral resource estimate, please see the Company's press release dated November 1, 2016 and the Technical Report filed on the Company's profile on www.sedar.com on December 15, 2016.

## Fremont Property - Activity during fiscal 2016

Between September 11, 2015 and March 5, 2016, the Company carried out its Phase III drill program that had the following objectives:

- Generation of a maiden resource estimate for the Project covering the Pine Tree-Josephine mineralized zone;
- Testing the down-dip extension of the shear zone in the Pine Tree-Josephine mineralized zone to a depth of up to 1,000 metres below surface;
- Testing the mineralization potential of some of the newly discovered mineralized zones on surface, in particular, the Queen Specimen zone. These newly discovered zones were originally discussed in the Company's December 4, 2014 press release.

Management successfully achieved each of the three objectives. The Phase III drill program consisted of a total of 43 diamond drill holes, and 12,549m of drilling.

Between October 12, 2015 and October 30, 2015, Geotech Ltd. was contracted to complete an airborne magnetic survey covering the entire Fremont Property. The survey involved the collection of geophysical data and colour air photographs along a total survey length of 810 line-kilometres at a nominal line-spacing of 25 metres. SRK Consulting (Canada) Inc. ("SRK") was retained to verify the validity of the survey, and to provide a comprehensive structural geology interpretation of the survey results. SRK's interpretation of the geophysical survey yielded the following findings, all of which are considered positive by management:

- Very strong correlation between the results of the geophysical survey and the results of the previously conducted surface geological mapping program that delineated extensive new, previously unexplored, zones of mineralization;

- Approximately 2.5 kilometres of un-interrupted prospective mineralized strike length in the main shear zone trending NNW-SSE through the middle of the Fremont Property encompassing (from north to south) the Queen Specimen Succedo target, the Crown Point target and the Pine Tree-Josephine target;

- Approximately 2.0 kilometres of prospective mineralized strike length at the WNW-ESE trending Golden Slope target located on the eastern half of the Fremont Property, interpreted to be a major lithological boundary;

- Approximately 1.5 kilometres of prospective mineralized strike length at the NNW-SSE trending Ogle Canyon target located on the western half of the Fremont Property, interpreted to be a major lithological boundary;

- Presence of a major dilational-jog in the main shear zone at the Queen Specimen Succedo target which has the potential to significantly widen the mineralized zone at this target;

- Presence of significant folding at the Queen Specimen Succedo target which has the potential to cause a repetition of the mineralized zone at this target, thereby increasing its attractiveness as a future prospective exploration area; and

- A much-improved understanding of the overall structural regime including the significance of major structures that control the extent and orientation of gold mineralization at the Fremont Property.

For a detailed discussion on the results of the survey, please see the Company's January 12, 2016 press release.

On November 17, 2015, the Board of Supervisors of Mariposa County voted to amend the General Plan and zoning ordinance of the County, including amendments that, once passed, will designate mining as a conditional use with respect to all properties within the County. Mining is currently designated as a permitted use over the majority of the Fremont Property. Following the amendments, mining will be designated as a conditional use. The designation of mining as a conditional use is consistent with designations used in many other counties in California. In addition to other permits required pursuant to applicable law, upon mining being designated as a conditional use, before any mining can take place, the

Mariposa Planning Commission will also need to issue a conditional use permit. Such a permit may include conditions deemed necessary or appropriate by the Mariposa Planning Commission.

**Activities during fiscal 2015**

On September 17, 2014, the Company announced the results from the property-wide surface geological mapping program conducted at the Fremont Property that was originally commenced on July 8, 2014. The surface geological mapping program included 55 line-kilometres of geological traverses and was successful in identifying five large and new exploration areas on the Fremont Property, being Golden Chain, Vermont Slab, Golden Slope, Ogle Canyon and Race Track Meadow, and also provided critical structural information for a previously known mineralized zone known as Chicken Gulch that had been subject to limited exploration RC drilling in the 1980s. The surface geological mapping program was followed up with a surface sampling program focused on the five new exploration zones. The results of the surface sampling program were announced on December 4, 2014 and were considered very positive by management. These results assisted the Company in fine-tuning targets for the Phase III drill program.

The Phase III drill program was initiated on September 11, 2015. The drilling portion of the exploration program concluded on March 5, 2016.

**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 year ended August 31, 2017.

## C. SELECTED ANNUAL INFORMATION

The following table presents selected financial information in Canadian dollars ($), for each of the three most recently completed financial years, and have been prepared in accordance with International Financial Reporting Standards.

| | 2017 | 2016 | 2015 |
|---|---|---|---|
| | $ | $ | $ |
| Revenues | - | - | - |
| Net loss before other items | (2,019,329) | (6,776,662) | (187,255) |
| Net comprehensive loss | (2,302,783) | (6,713,283) | (311,322) |
| Net loss per share | (0.06) | (0.24) | 0.02 |
| Total assets | 6,391,730 | 6,531,507 | 11,126,033 |
| Total long term liabilities | - | - | - |
| Cash dividends per share | - | - | - |

Net loss before other items for the year ended August 31, 2017 decreased to $2,019,329 from $6,776,662 for the year ended August 31, 2016. The decrease in the loss for the year ended August 31, 2017 is due to the decrease in exploration expenditures in the current period. Exploration expenditures for the current period at the Fremont Property totaled $431,678 and mainly included the costs to complete technical studies.

Net loss before other items for the year ended August 31, 2016 increased to $6,776,662 from $187,255 for the year ended August 31, 2015. The main cause of the increase in the loss for the year ended August 31, 2016 is from the Phase III exploration expenditures incurred at the Fremont Property which were $5,069,554 for the year ended August 31, 2016.

## D. RESULTS OF OPERATIONS

### Revenues

The Company has no revenue or sources of recurring revenues at this time. Passive income from leasing of grass lands is earned annually from the Fremont Property.

### Operating expense

Operating expenses for the year ended:

| | **August 31, 2017** **$** | **August 31, 2016** **$** |
|---|---|---|
| Exploration expenses | **448,592** | 5,075,254 |
| Administrative expenses | **1,569,690** | 1,690,627 |
| Loss (gain) on foreign exchanges | **3,160** | 18,781 |
| Loss before items below | **(2,021,442)** | (6,784,662) |
| Interest and other income | **2,113** | 8,417 |
| Net loss of the year | **(2,019,329)** | (6,776,245) |
| Foreign exchange translation | **(283,454)** | 62,962 |
| Net comprehensive loss of the year | **(2,302,783)** | (6,713,283) |

Loss before items below for the year ended August 31, 2017 decreased to a loss of $2,021,442 from a loss of $6,784,662 in the same period last year. The main cause for the decrease in the loss for the year ended August 31, 2017 was from the higher level of Phase III exploration work completed at the Fremont Property in the prior year period.

The majority of exploration costs were incurred on the Fremont Property, with minimal expenditures on the Dingman Property. Exploration costs expensed for the year ended August 31, 2017 decreased to $448,592 from $5,075,254 in the same period last year. With respect to the Fremont Property, exploration costs incurred in the prior year were on account of the Phase III exploration program.

With respect to the Dingman Property, costs incurred during the year ended August 31, 2017 and for the year ended August 31, 2016 were mainly from sample and drill core storage costs. The one addition in the current period was the scoping study that reviewed the impact of current gold prices. For more detail on these expenditures please refer to Section B.

General administration expenses for the year ended August 31, 2017 decreased to $1,569,690 from $1,690,627 in the same period last year. General and administrative expenses incurred during the year ended August 31, 2017 consist of the following significant items:

- Non-management salaries and wages for the year ended August 31, 2017 decreased to $222,888 from $318,225 in the same period last year because of the decrease in the on-site labour requirement to support the Phase III drill program. These amounts are for the Company's employees located at its Fremont Property.

- Investor relations expenses for the year ended August 31, 2017 significantly increased to $279,070 from $208,238 in the same period last year. These expenses vary greatly between periods, but for the year ended August 31, 2017 this expense has significantly increased as a result of a renewed effort by management to attend more investor related conferences and increase the number of presentations to new investor groups. The costs represent costs associated with investor relations consultants, investor meetings and presentations, advertising and promotion and travel to international investor conferences.

- Professional fees for the year ended August 31, 2017 increased to $262,696 from $126,673 in the same period last year. The majority of the professional fees incurred relate to routine auditing fees, accounting fees, and legal fees. The increase in fees are primarily due to increase in legal service fees.

- Shareholder information and compliance expenses for the year ended August 31, 2017 decreased to $64,680 from $69,869 in the same period last year. Expenses incurred during the year ended August 31, 2017 included stock exchange fees, shareholder meetings and routine compliance matters. Decrease is mainly due to the timing of when certain fees are due and paid from year to year. A significant component of the Company's stock exchange costs is incurred in US dollars which can impact the total expenditures reported without a change in activity.

- Share based payments, as explained in note 6 to the audited annual consolidated financial statements, were $86,658 for the year ended August 31, 2017. The expense was $357,183 for the year ended August 31, 2016. Yearly fluctuations in stock option expense is dependent on several factors including, but not limited to, number of options issued, valuation of options, vesting period and timing. For the year ended August 31, 2017 there were 120,000 options issued compared to 640,000 options issued in the prior year.

- Interest and bank charges increased to $33,831 for the year ended August 31, 2017 from $4,404 in the same period last year. In the current year the Company incurred interest charges on accounts payables and loans.

*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 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 year ended August 31, 2017, the Company's other comprehensive loss was $283,454.

## 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.

The Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis and its capital, development and exploration expenditures. The Company ensures that there are sufficient funds to meet its short-term requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

Cash and cash equivalents as at August 31, 2017 were $218,493 compared to $4,854 as at August 31, 2016. Included in the current period's cash balance were $205,000 of deposits from subscriptions for the private placement that was completed subsequent to year end. Factors that could 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, and operating costs. As at August 31, 2017, the Company had a working capital deficit of $946,032 compared to a working capital deficit of $214,220 as of August 31, 2016.

Subsequent to year end the Company completed two private placements. The first one was completed on September 21, 2107 which consisted of 8,000,000 units at a price of $0.25 per unit, for gross proceeds of $2,000,000 with each unit comprised of one common share and one-half of one common share purchase warrant. The second private placement was completed on November 20, 2017 which consisted of a total of 3,002,500 units at a price of $0.40 per unit, for gross proceeds of $1,201,000 with each unit comprised of one common share and one common share purchase warrant.

For the year ended August 31, 2017, the Company completed two private placements, which consisted of issuing 1,855,806 Units for gross proceeds of $1,206,274. Each Unit comprised of one common share and one half of one common share purchase warrant, with each whole warrant entitling the holder to acquire a further common share of the Company at a price of $1.00 for three years following the date of issuance

During the year ended August 31, 2016, the Company completed three private placements, which consisted of issuing 3,318,500 Units for gross proceeds of $1,659,250. Each Unit comprised of one common share and one half of one common share purchase warrant, with each whole warrant entitling the holder to acquire a further common share of the Company at a price of $1.00 for three years following the date of issuance.

## 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.

| | 2017 Q4 $000's | Q3 $000's | Q2 $000's | Q1 $000's | 2016 Q4 $000's | Q3 $000's | Q2 $000's | Q1 $000's |
|---|---|---|---|---|---|---|---|---|
| Revenues | - | - | - | - | - | - | - | - |
| Loss before Comprehensive Income(loss) | (481) | (445) | (538) | (555) | (1,030) | (1,288) | (1,851) | (2,607) |
| Comprehensive loss | (946) | (321) | (541) | (495) | (1,068) | (1,190) | (1,818) | (2,637) |
| Loss per share | (0.02) | (0.01) | (0.02) | (0.02) | (0.03) | (0.04) | (0.07) | (0.10) |

Fourth Quarter 2017

The Company's fourth quarter of 2017 continued with the same objectives and trends as the previous three quarters of fiscal 2017. The exploration expenditures were reduced in fiscal 2017 from fiscal 2016 levels that included the Phase III drill program. In the current period, the focus was on the completion of the resource estimate and technical studies. There were no substantive changes in administrative costs and were consistent with the previous quarters.

## G. OFF-BALANCE SHEET ARRANGEMENTS

The Company currently has no off-balance sheet arrangements with any parties as at August 31, 2017.

## 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 August 31, 2017, the Company had the following capital stock position:

| | |
|---|---|
| Common shares outstanding | 32,178,949 |
| Warrants outstanding | 15,680,612 |
| Broker warrants outstanding | 71,400 |
| Options outstanding | 1,230,000 |

Basic common shares outstanding is 32,178,949. Fully diluted shares outstanding which includes all issued common shares, warrants, broker warrants and options totals 49,160,961.

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

*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 Exchange Tower, 130 King Street West, Suite 1800, Toronto, Ontario, M5X 1E3.

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.