CALIFORNIA GOLD MINING INC.
(FORMERLY UPPER CANADA GOLD CORPORATION)
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED
AUGUST 31, 2014 AND 2013
(EXPRESSED IN CANADIAN DOLLARS)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of California Gold Mining Inc.

We have audited the accompanying consolidated financial statements of California Gold Mining Inc., which comprise the statements of financial position as at August 31, 2014 and 2013, and the consolidated statements of loss and comprehensive loss, changes in equity, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of California Gold Mining Inc. as at August 31, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 to the consolidated financial statements which highlights the existence of a material uncertainty relating to conditions that cast significant doubt on California Gold Mining Inc.'s ability to continue as a going concern.

MNP LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
November 26, 2014

MNP LLP

California Gold Mining Inc.
(Formerly Upper Canada Gold Corporation)
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	As at August 31, 2014	As at August 31, 2013
ASSETS		
Current assets		
Cash and cash equivalents	**$ 104,281**	$ 1,220,215
HST recoverable, accrued interest and amounts receivable	**15,006**	48,365
Prepaid expenses	**54,828**	28,794
Total current assets	**174,115**	1,297,374
Other assets		
Prepaid expenses	**5,470**	-
Property, plant and equipment (note 6)	**5,322,117**	5,138,119
Total assets	**$ 5,501,702**	$ 6,435,493
EQUITY AND LIABILITIES		
Current liabilities		
Amounts payable and other liabilities (note 13)	**$ 217,957**	$ 195,453
Equity		
Share capital (note 7)	**12,131,450**	11,337,036
Reserves (note 15)	**6,834,701**	6,340,013
Accumulated other comprehensive income	**57,221**	16,898
Accumulated deficit	**(13,739,627)**	(11,453,907)
Total equity	**5,283,745**	6,240,040
Total equity and liabilities	**$ 5,501,702**	$ 6,435,493

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Nature of operations and going concern (note 1)

Contingency (note 14)

Subsequent events (note 16)

Approved on behalf of the Board:

"Ron LeClair", Director

"Kevin Cinq-Mars", Director

California Gold Mining Inc.
(Formerly Upper Canada Gold Corporation)
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

Years ended August 31,	**2014**	**2013**
Operating expenses		
Exploration costs expensed (note 3)	**$ 1,068,479**	$ 657,398
Management fees (note 13)	**480,358**	536,021
Professional fees	**210,399**	147,468
Salaries and wages (note 13)	**126,635**	-
Development costs (note 3)	**94,297**	32,621
Travel and meals	**84,413**	75,738
Investor relations	**74,504**	74,978
Property taxes	**55,173**	24,608
Shareholder information	**45,118**	54,906
Share-based compensation (note 8)	**43,976**	1,312,136
Occupancy costs (note 13 (i))	**40,820**	21,693
Depreciation	**34,414**	10,781
Insurance	**33,709**	16,436
Interest and bank charges	**2,634**	2,896
Acquisition costs (note 3)	**-**	527,759
Other general and administrative	**75,522**	45,650
Gain on foreign exchange	**(178,610)**	(95,507)
Loss before interest and other income	**(2,291,841)**	(3,445,582)
Other items		
Interest income	**-**	2,578
Other income	**6,121**	2,857
Net loss for the year	**(2,285,720)**	(3,440,147)
Other comprehensive income for the year		
Items that will be reclassified to profit or loss		
Foreign exchange translation	**40,323**	16,898
Net loss and comprehensive loss for the year	**$ (2,245,397)**	$ (3,423,249)
Basic and diluted net loss per share (note 9)	**$ (0.02)**	$ (0.04)
Weighted average number of common shares outstanding	**147,157,891**	92,830,280

The accompanying notes to the consolidated financial statements are an integral part of these statements.

California Gold Mining Inc.
(Formerly Upper Canada Gold Corporation)
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

Years ended August 31,	2014	2013
Operating activities		
Net loss for the year	**$ (2,285,720)**	$ (3,440,147)
Adjustments for non-cash items:		
Depreciation	**34,414**	10,781
Share-based compensation	**43,976**	1,312,136
Changes in non-cash working capital items:		
HST recoverable, accrued interest and amounts receivable	**33,359**	(33,882)
Prepaid expenses	**(31,504)**	(16,116)
Amounts payable and other liabilities	**22,504**	67,811
Net cash used in operating activities	**(2,182,971)**	(2,099,417)
Investing activity		
Purchase of property, plant and equipment	**(51,212)**	(4,891,882)
Net cash used in investing activity	**(51,212)**	(4,891,882)
Financing activity		
Issue of securities, net of costs	**1,245,126**	7,743,004
Net cash provided by financing activity	**1,245,126**	7,743,004
Net change in cash and cash equivalents	**(989,057)**	751,705
Effect of exchange rate changes on the balance of cash held in foreign currencies	**(126,877)**	(230,798)
Cash and cash equivalents, beginning of the year	**1,220,215**	699,308
Cash and cash equivalents, end of the year	**$ 104,281**	$ 1,220,215
Non-cash transactions:		
Shares issued as finder's fee	**$ -**	$ 67,500

The accompanying notes to the consolidated financial statements are an integral part of these statements.

California Gold Mining Inc.
(Formerly Upper Canada Gold Corporation)
Consolidated Statements of Changes in Equity
(Expressed in Canadian dollars)

Equity attributable to shareholders

	Number of shares	Share capital	Reserves (note 15)	Accumulated other comprehensive income	Accumulated deficit	Total equity
Balance, August 31, 2012	**48,078,054**	**$ 6,571,711**	**$ 2,050,197**	**$ -**	**$ (8,013,760)**	**$ 608,148**
Private placement (note 7(b)(i))	80,000,000	8,000,000	-	-	-	8,000,000
Common shares issued as finder's fee in private placement (note 7(b)(i))	562,500	67,500	-	-	-	67,500
Valuation of warrants (note 7(b)(i))	-	(3,055,236)	3,055,236	-	-	-
Valuation of broker warrants (note 7(b)(i))	-	(75,025)	75,025	-	-	-
Transaction costs (note 7(b)(i))	-	(171,914)	(152,581)	-	-	(324,495)
Share-based compensation (note 8)	-	-	1,312,136	-	-	1,312,136
Net loss and comprehensive loss for the year	-	-	-	16,898	(3,440,147)	(3,423,249)
Balance, August 31, 2013	**128,640,554**	**$ 11,337,036**	**$ 6,340,013**	**$ 16,898**	**$ (11,453,907)**	**$ 6,240,040**
Private placements (note 7 (b)(ii)(iii)(v)(vi))	25,242,066	1,272,616	-	-	-	1,272,616
Valuation of warrants (note 7 (b)(ii)(iii))	-	(462,325)	462,325	-	-	-
Transaction costs (note 7 (b)(iv)(v)(vi))	-	(15,877)	(11,613)	-	-	(27,490)
Share-based compensation (note 8)	-	-	43,976	-	-	43,976
Net loss and comprehensive loss for the year	-	-	-	40,323	(2,285,720)	(2,245,397)
Balance, August 31, 2014	**153,882,620**	**$ 12,131,450**	**$ 6,834,701**	**$ 57,221**	**$ (13,739,627)**	**$ 5,283,745**

The accompanying notes to the consolidated financial statements are an integral part of these statements.

1. Nature of operations and going concern

California Gold Mining Inc. (“California Gold” or the “Corporation”), which, prior to April 11, 2013 was named Upper Canada Gold Corporation and prior to January 29, 2010 was named Washmax Corp., was incorporated under the Business Corporations Act (Alberta) on September 17, 1998.

On January 29, 2010, the Corporation acquired the Dingman Property and became a junior exploration company engaged in the acquisition, exploration and development of mineral resource properties. On January 29, 2010, the Corporation also changed its year end from December 31 to August 31. On February 9, 2010, the Corporation’s shares commenced trading on the TSX Venture Exchange under the symbol “UCC” and on April 15, 2013, the Corporation's symbol was changed to "CGM". On March 1, 2013, the Corporation purchased a fee simple interest (subject to a 3% net smelter royalty) in approximately 3,351 acres of land located 15 miles north of the town of Mariposa, California which the Corporation has previously referred to as the Pine Tree Property and that is now referred to as the Fremont Property. The Corporation has not earned any income from operations. The registered office of the Corporation is located at #4 – 140, 11th Avenue S.W., Calgary, Alberta, T2R 0B8.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Corporation will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management is aware, in making its assessment, of material uncertainties related to events or conditions that cast significant doubt upon the entity's ability to continue as a going concern. As at August 31, 2014, the Corporation does not have sufficient working capital to be able to settle its current amounts payable and other liabilities and no source of operating cash flows to be able to generate the necessary working cash from operations. Management is of the opinion that additional funding is available and may be sourced in time to allow the Corporation to progress exploration on its properties and for operations (see note 16 (ii)). Should the Corporation not be able to raise additional financing, there exists significant doubt about its ability to continue as a going concern. While there is no assurance these funds can be raised, the Corporation believes such financing will be available as required. The directors and management of the Corporation consider it appropriate to prepare these consolidated financial statements on the going concern basis.

2. Significant accounting policies

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee ("IFRIC"), effective for the Corporation's reporting for the year ended August 31, 2014.

The accounting policies set out below have been applied consistently to all periods presented.

The consolidated financial statements were authorized by the Board of Directors on **November XX**, 2014.

2. **Significant accounting policies (continued)**

(b) Basis of presentation

The consolidated financial statements are presented in Canadian dollars. The consolidated financial statements are prepared on the historical cost basis.

The preparation of the consolidated financial statements requires management to make judgments, estimates, and assumptions that affect the application of policies and reported amounts of assets and liabilities, and income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Judgments made by management in the application of IFRS that have a significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the current and following fiscal years are described in note 2 (o).

(c) Basis of consolidation

The consolidated financial statements include the accounts of the Corporation and its subsidiaries: Washmax (Weston) Ltd, California Gold Mines (US) Inc. and Fremont Gold Mining LLC. All significant intercompany transactions and balances have been eliminated on consolidation.

(d) Foreign currency translation

i) Functional and presentation currency

The consolidated financial statements of the Corporation are presented in Canadian Dollars, which is its presentation currency. The Canadian Dollar is the functional currency of California Gold Mining Inc. and Washmax (Weston) Ltd. The functional currency of California Gold Mines (US) Inc. and Fremont Gold Mining LLC is the US Dollar.

Translation gains or losses resulting from the translation of financial statements into Canadian dollars are recorded in other comprehensive income or loss.

ii) Translations and balances

Transactions in currencies other than the functional currency are translated to the functional currency at the rate of exchange prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange prevailing at the consolidated statements of financial position date. Exchange gains and losses on settlement of transactions, and the translation of monetary assets and liabilities other than in functional currency are recorded in the consolidated statement of loss and comprehensive loss.

(e) Cash and cash equivalents

Cash and cash equivalents consists of cash, demand deposits and highly-liquid short term investments with an initial term of 90 days or less.

2. **Significant accounting policies (continued)**

(f) Property, plant and equipment

Property, plant and equipment are recorded at cost and depreciated over their estimated useful lives at the following rates per annum:

Furniture and fixtures	-	20% declining balance basis
Leasehold Improvements	-	3 years straight line
Computer equipment	-	30% declining balance basis
Computer software	-	30% declining balance basis
Vehicles	-	30% declining balance basis
Field equipment	-	30% declining balance basis
Other equipment	-	30% declining balance basis
Building	-	20 years straight line

(g) Impairment

The Corporation's assets are reviewed for indications of impairment at each consolidated statements of financial position date. If indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss for the period.

The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(h) Share-based payments

The Corporation has in effect a share option plan ("the Plan"), which allows Corporation employees, directors and officers to acquire shares of the Corporation. The fair value of options granted is recognized as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and each tranche is recognized on a graded basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At the end of each reporting period, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

2. **Significant accounting policies (continued)**

(i) Mineral interests, deferred exploration and development expenditures

The Corporation expenses exploration and evaluation expenditures as incurred on mineral properties not yet determined to be commercially viable and technically feasible. Exploration and evaluation expenditures include acquisition costs of mineral properties, property option payments and evaluation activities.

Once a project has been established as commercially viable and technically feasible, related development expenditures are capitalized. This includes costs incurred in preparing the site for mining operations. Capitalization ceases when the mine is capable of commercial production, with the exception of development costs that give rise to a future benefit.

Exploration and evaluation expenditures are capitalized if the Corporation can demonstrate that these expenditures meet the criteria of an identifiable intangible asset. To date, no such exploration and evaluation expenditures have been identified and capitalized.

(j) Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing the net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed using the treasury stock method. In accordance with the treasury stock method, the weighted average number of shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive.

(k) Financial instruments

Financial assets:

The Corporation classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Corporation's accounting policy for each category is as follows:

Fair value through profit or loss
This category comprises derivatives, or assets acquired or incurred principally for the purpose of being sold or repurchased in the near term. They are carried in the consolidated statement of financial position at fair value with changes in fair value recognized in the consolidated statement of loss and comprehensive loss.

Loans and receivables
These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments
These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Corporation's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the consolidated statement of loss and comprehensive loss.

2. **Significant accounting policies (continued)**

(k) Financial instruments (continued)

Available-for-sale
Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in other comprehensive income (loss). Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from accumulated other comprehensive income (loss) and recognized in the consolidated statement of income (loss).

Financial liabilities:

The Corporation classifies its financial liabilities into one of two categories, depending on the purpose for which the corresponding asset was acquired. The Corporation's accounting policy for each category is as follows:

Fair value through profit or loss
This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of being sold or repurchased in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the consolidated statement of loss and comprehensive loss.

Other financial liabilities
This category includes accounts payables and accrued liabilities, all of which are recognized at amortized cost.

The Corporation’s financial instruments consist of the following:

Financial assets:	**Classification:**
Cash and cash equivalents	Loans and receivables
Accrued interest and amounts receivable	Loans and receivables

Financial liabilities:	**Classification:**
Amounts payable and other liabilities	Other financial liabilities

The Corporation classifies its financial instruments according to a three level hierarchy that reflects the significance of the inputs used in making the fair value measurements. The three levels of fair value hierarchy are as follows:

• Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
• Level 2 - Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly; and
• Level 3 - Inputs for assets or liabilities that are not based on observable market data.

The Corporation's financial instruments include, cash and cash equivalents, amounts receivable, and amounts payable and other liabilities. The fair value of these financial instruments approximates their carrying values due to the relative short-term maturity of these instruments.

***2.* Significant accounting policies (continued)**

(k) Financial instruments (continued)

The following summarizes the carrying values of the Corporation's financial Instruments:

	August 31, 2014	August 31, 2013
Loans and receivables [1]	**$ 104,841**	$ 1,221,225
Other financial liabilities [2]	**$ 217,957**	$ 195,453

[1] Cash and cash equivalents, accrued interest and amounts receivable
[2] Amounts payable and other liabilities

(l) Impairment of financial assets

Financial assets are assessed for indicators of impairment at each financial position reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For all other financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as amounts receivable and assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying amount is reduced through the use of an allowance account. When an amount receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect of available-for-sale equity securities, impairment losses previously recognized through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

2. **Significant accounting policies (continued)**

(m) Income taxes

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net earnings and comprehensive income or in equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

(n) Flow-through shares

Under Canadian income tax legislation, a company is permitted to issue flow-through shares whereby the Corporation agrees to incur qualifying expenditures and renounce the related income tax deductions to the investors. For accounting purposes, the proceeds from issuance of these shares are allocated between the offering of shares and the sale of tax benefits. The allocation is made based on the difference between the quoted price of the existing shares and the amount the investor pays for the shares. A liability is recognized for this difference (if any). The liability is reduced and the reduction of premium liability is recorded in other income at the time when the Corporation files the appropriate renunciation forms with the Canadian taxation authorities and the expenditures are incurred.

(o) Significant estimates and assumptions

The following is the key estimate and assumption uncertainties as considered by management:

The allocation of purchase price for Fremont Property among land, building and acquisition expense is based on an appraisal commissioned by the Corporation.

2. **Significant accounting policies (continued)**

(p) New accounting standards and interpretations

Change in accounting policies

(i) IFRS 10 – Consolidated Financial Statements ("IFRS 10") was issued by the IASB in May 2011. IFRS 10 is a new standard which identifies the concept of control as the determining factor in assessing whether an entity should be included in the consolidated financial statements of the parent company. Control is comprised of three elements: power over an investee; exposure to variable returns from an investee; and the ability to use power to affect the reporting entity's returns. At September 1, 2013, the Corporation adopted this pronouncement and there was no material impact on the Corporation's consolidated financial statements.

(ii) IFRS 11 – Joint Arrangements ("IFRS 11") was issued by the IASB in May 2011. IFRS 11 is a new standard which focuses on classifying joint arrangements by their rights and obligations rather than their legal form. Entities are classified into two groups: parties having rights to the assets and obligations for the liabilities of an arrangement, and rights to the net assets of an arrangement. Entities in the former case account for assets, liabilities, revenues and expenses in accordance with the arrangement, whereas entities in the latter case account for the arrangement using the equity method. At September 1, 2013, the Corporation adopted this pronouncement and there was no material impact on the Corporation's consolidated financial statements.

(iii) IFRS 12 – Disclosure of Interests in Other Entities ("IFRS 12") was issued by the IASB in May 2011. IFRS 12 is a new standard which provides disclosure requirements for entities reporting interests in other entities, including joint arrangements, special purpose vehicles, and off balance sheet vehicles. At September 1, 2013, the Corporation adopted this pronouncement and there was no material impact on the Corporation's consolidated financial statements.

(iv) IFRS 13 - Fair Value Measurement ("IFRS 13") was issued by the IASB in May 2011. IFRS 13 is a new standard which provides a precise definition of fair value and a single source of fair value measurement considerations for use across IFRS. IFRS 13 clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. It also establishes disclosures about fair value measurement. The Corporation's adoption of IFRS 13, on September 1, 2013, did not have a material financial impact upon the consolidated financial statements.

Recent accounting pronouncements

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in October 2010 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Corporation has not assessed the impact of IFRS 9 on its consolidated financial statements and the standard will be adopted on its effective date.

Comparative figures

Certain comparative figures in prior periods have been reclassified to conform with the current period presentation.

3. Exploration and evaluation expenditures on mineral properties

a) Dingman Property:

On January 29, 2010, the Corporation acquired a 100% interest in 8 mining claims in Hastings County near Madoc, Ontario known as the Dingman Gold Property for aggregate consideration of $25,000 cash, $15,000 cash in property option extension fees and the issuance of 46,979,007 common shares. The common shares of the Corporation were consolidated on a 1 for 4 basis, leaving the vendor, Opawica Explorations Inc., with 11,744,752 common shares immediately following the transaction.

Eastern Surface Rights

Effective as of October 8, 2010, the Corporation entered into a new surface rights agreement with respect to the eastern half of the Dingman mineralized zone. The agreement provided the Corporation with access and exploration rights for a period of one year in exchange for payment by the Corporation of $32,000 which was paid upon entering into the agreement. The agreement can be renewed for five additional periods of one year each upon the payment of an additional $15,000 by the Corporation for each renewal. The Corporation has not yet elected to renew this agreement for any period since October 8, 2011. In addition, the Corporation has agreed to pay the surface rights owner a fee of $1,500 per drill hole setup. The agreement covering the eastern surface rights also confers upon the Corporation the option to acquire 100% of the surface rights to 162 acres, as well as certain subsurface rights, at a price equal to three times the average appraised value of the surface rights (valued for farming use) as determined by three appraisers, but in no event shall the appraised value exceed $1,500,000.

Costs incurred on the mineral interests for the Dingman Property for the years ended August 31, 2014 and 2013 are summarized as follows:

Years ended August 31,	**2014**	**2013**
Exploration costs (recovery)	**$ (15,580)** [(1)]	$ 47,154

[(1)] The exploration cost recovery for the year ended August 31, 2014 is due to the reversal of an accrual to a supplier recorded in the prior year.

Total cumulative costs incurred on the Dingman Property as of August 31, 2014 are summarized as follows:

Acquisition costs	$ 2,139,055
Exploration costs	1,184,730
Land access fees	85,500
Finders fee	25,000
	$ 3,434,285

3. Exploration and evaluation expenditures on mineral properties (continued)

b) Fremont Property (previously referred to as Pine Tree – Josephine Property):

On March 1, 2013, the Corporation completed the acquisition of a fee simple interest (subject to a 3% net smelter royalty) of 3,351 acres of land in Mariposa County, California known as the Fremont Property. The purchase was completed through the Corporation's wholly owned subsidiary, Fremont Gold Mining LLC. The purchase price consisted of aggregate consideration to the Vendor of US$5,120,000 of which US$4,999,949 was paid on closing. The Corporation also paid a third party an aggregate finder's fee of US$303,600 of which US$253,600 was paid on closing. On the basis of an appraisal commissioned by the Corporation subsequent to its acquisition of the Fremont Property, the purchase price paid upon closing of US$4,999,949 is allocated as follows:

Land	US$4,650,000
Building	US$160,000
Acquisition expense	US$189,949

Costs incurred on the fee simple interest for the Fremont Property for the years ended August 31, 2014 and 2013 are summarized as follows:

Years ended August 31,	**2014**	**2013**
Acquisition costs expensed	**$ -**	$ 527,759
Improvement costs for building capitalized and land acquisition	**$ 7,649**	$ 4,834,376
Exploration and development costs	**$ 1,178,356**	$ 642,865

Total cumulative costs incurred on the Fremont Property as of August 31, 2014 are summarized as follows:

Acquisition and improvement costs	$ 5,880,340
Exploration and development costs	1,821,221
	$ 7,701,561

4. Capital risk management

The Corporation manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and
- to maximize shareholder return.

The Corporation monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Corporation may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by management and the Board of Directors on an ongoing basis. The Corporation's ability to continue to carry out its planned exploration activities is uncertain and dependent upon securing additional financing.

The Corporation considers its capital to be equity, which comprises share capital, reserves, accumulated other comprehensive loss and accumulated deficit, which at August 31, 2014 totaled $5,283,745 (August 31, 2013 - $6,240,040).

The Corporation manages capital through its financial and operational forecasting processes. The Corporation reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The forecast is updated based on activities related to its mineral properties. Selected information is provided to the Board of Directors of the Corporation.

The Corporation is not subject to any capital requirements imposed by a lending institution.

5. Financial risk management

Credit risk management

The Corporation's credit risk is primarily attributable to cash and cash equivalents and amounts receivable. The Corporation has no significant concentration of credit risk arising from operations. Cash is held with select major Canadian chartered banks and cash equivalents consists of bankers' acceptances which have been invested with reputable financial institutions and government of Canada treasury bills, from which management believes the risk of loss to be remote. Management believes that the credit risk concentration with respect to financial instruments amounts receivable is remote. As at August 31, 2014, no amounts receivable are considered impaired or past due.

5. Financial risk management (continued)

Liquidity risk

The Corporation has in place a planning and budgeting process to help determine the funds required to support the Corporation's normal operating requirements on an ongoing basis and its capital, development and exploration expenditures. The Corporation 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.

As of August 31, 2014, the Corporation had a cash and cash equivalents balance of $104,281 (August 31, 2013 - $1,220,215) to settle current amounts payable and other liabilities of $217,957 (August 31, 2013 - $195,453). All of the Corporation's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

The Corporation has no significant source of operating cash flows and has significant cash requirements to maintain its investment in mineral properties and pay for administrative overhead. In order to meet future expenditures and exploration costs, the Corporation may need to raise additional financing. Although the Corporation has been successful in obtaining financing to date, there can be no assurance that adequate funding will be available in the future, or available under terms favourable to the Corporation.

Market risk

(i) Interest rate risk

The Corporation has cash balances and no interest bearing debt. The Corporation's current policy is to invest excess cash in investment grade short-term deposit certificates issued by its banking institutions and fixed income instruments issued by government of Canada. The Corporation monitors the investments it makes and is satisfied with the credit ratings of its banks.

(ii) Price risk

The Corporation is exposed to price risk with respect to commodity and equity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. Equity price risk is defined as the potential adverse impact on the Corporation's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Corporation closely monitors commodity prices, individual equity movements and the stock market to determine the appropriate course of action to be taken by the Corporation.

(iii) Foreign currency risk

Canadian Dollar is the functional currency of California Gold Mining Inc. and Washmax (Weston) Ltd. The functional currency of California Gold Mines (US) Inc. and Fremont Gold Mining LLC is the US Dollar. The Corporation funds certain operations, exploration and administrative expenses in the United States using US Dollar currency converted from its Canadian Dollar bank accounts held in Canada. The Corporation also maintains US Dollar bank accounts in Canada and Canadian Dollar bank accounts in the United States. As a result, the Corporation is subject to gains and losses due to fluctuations in the exchange rate between the US Dollar and the Canadian Dollar.

5. Financial risk management (continued)

Sensitivity analysis

The sensitivity analysis shown in the notes below may differ materially from actual results. Based on management's knowledge and experience of the financial markets, the Corporation believes the following movements are "reasonably possible" over a twelve month period:

(i) The Corporation has no interest bearing debts and receives low interest rates on its cash and cash equivalents balances. As such, the Corporation does not have significant interest rate risk.

(ii) The Corporation holds balances in foreign currencies which could give rise to exposure to foreign exchange risk. Sensitivity to a plus or minus 10% change in the foreign exchange rate against the functional currencies would have affected the reported loss by approximately $55,000.

Fair value of financial assets and liabilities

The book values of the cash and cash equivalents, amounts receivable, and amounts payable and other liabilities approximate their respective fair values due to the short-term nature of these instruments.

6. Property, plant and equipment

Cost	Furniture and fixtures	Leasehold improvements	Computer equipment	Computer software	Vehicles	Field & other equipments	Building	Land	Total
Balance, August 31, 2012	$ 1,199	$ 8,927	$ 6,252	$ -	$ -	$ -	$ -	$ -	$ 16,378
Additions	-	-	-	4,235	39,752	13,519	164,506	4,669,870	4,891,882
Effect of foreign exchange adjustments	-	-	-	215	2,015	685	8,339	236,709	247,963
Balance, August 31, 2013	1,199	8,927	6,252	4,450	41,767	14,204	172,845	4,906,579	5,156,223
Additions	5,677	-	9,987	13,359	-	14,063	8,126	-	51,212
Effect of foreign exchange adjustments	26	-	28	153	1,361	581	5,703	159,826	167,678
Balance, August 31, 2014	$ 6,902	$ 8,927	$ 16,267	$ 17,962	$ 43,128	$ 28,848	$ 186,674	$ 5,066,405	$ 5,375,113

Accumulated depreciation	Furniture and fixtures	Leasehold improvements	Computer equipment	Computer software	Vehicles	Field & other equipments	Building	Land	Total
Balance, August 31, 2012	$ 423	$ 4,461	$ 2,172	$ -	$ -	$ -	$ -	$ -	$ 7,056
Depreciation during the year	155	2,976	1,224	320	3,008	1,023	2,075	-	10,781
Effect of foreign exchange adjustments	-	-	-	13	125	42	87	-	267
Balance, August 31, 2013	578	7,437	3,396	333	3,133	1,065	2,162	-	18,104
Depreciation during the period	621	1,485	2,341	3,127	11,865	5,936	9,039	-	34,414
Effect of foreign exchange adjustments	3	-	4	23	209	87	152	-	478
Balance, August 31, 2014	$ 1,202	$ 8,922	$ 5,741	$ 3,483	$ 15,207	$ 7,088	$ 11,353	$ -	$ 52,996

Carrying value	Furniture and fixtures	Leasehold improvements	Computer equipment	Computer software	Vehicles	Field & other equipments	Building	Land	Total
Balance, August 31, 2013	$ 621	$ 1,490	$ 2,856	$ 4,117	$ 38,634	$ 13,139	$ 170,683	$ 4,906,579	$ 5,138,119
Balance, August 31, 2014	$ 5,700	$ 5	$ 10,526	$ 14,479	$ 27,921	$ 21,760	$ 175,321	$ 5,066,405	$ 5,322,117

7. Share capital

a) Authorized share capital

Unlimited number of voting common shares
Unlimited number of non-voting first preferred shares
Unlimited number of non-voting second preferred shares

b) Equity activity

	Number of common shares	Stated value
Balance, August 31, 2012	48,078,054	$ 6,571,711
Private placement (i)	80,000,000	8,000,000
Common shares issued as finder's fee (i)	562,500	67,500
Valuation of warrants (i)	-	(3,055,236)
Valuation of broker warrants (i)	-	(75,025)
Transaction costs (i)	-	(171,914)
Balance, August 31, 2013	128,640,554	11,337,036
Private placements (ii)(iii)(v)(vi)	25,242,066	1,272,616
Valuation of warrants (ii)(iii)	-	(462,325)
Transaction costs (iv)(v)(vi)	-	(15,877)
Balance, August 31, 2014	153,882,620	$ 12,131,450

(i) On February 8, 2013, the Corporation closed the first tranche of a private placement pursuant to which it issued 66,250,000 units ("Units") at a price of $0.10 per Unit for gross proceeds of $6,625,000 and on February 15, 2013, the Corporation closed the second and final tranche of the private placement pursuant to which it issued 13,750,000 Units at a price of $0.10 per Unit for gross proceeds of $1,375,000 for a total of $8,000,000 (the "Offering"). Each Unit issued comprises one common share and three-quarters of one common share purchase warrant, with each whole warrant ("Warrant") entitling the holder to acquire a further common share of the Corporation at a price of $0.15 until February 8, 2017 or February 15, 2017. The fair value of the Warrants has been determined to be $3,055,236 using the Black-Scholes model based on the following assumptions:

Risk free interest rate	1.36% (first tranche) and 1.40% (second tranche)
Dividend yield	nil
Expected stock volatility	140% (first tranche) and 138% (second tranche)
Expected life	4 years

In connection with the Offering, the Corporation incurred total transaction costs of $324,495 consisting of $256,995 cash and 562,500 common shares issued at a deemed price of $0.12 per common share. The Corporation also issued 764,000 broker warrants to a registered dealer. Each broker warrant entitles the holder to acquire one common share of the Corporation until February 15, 2017 at a price of $0.15 per common share. The fair value of the broker warrants has been determined to be $75,025 using the Black-Scholes model based on the following assumptions:

Risk free interest rate	1.40%
Dividend yield	nil
Expected stock volatility	138%
Expected life	4 years

Of the $324,495 transaction costs incurred in connection with the Offering, $152,581 is allocated to warrants with the remaining allocated to share capital.

7. Share capital (continued)

b) Equity activity (continued)

(ii) On September 10, 2013, the Corporation closed a non-brokered private placement pursuant to which the Corporation issued 15,860,000 units ("Units") at a price of $0.05 per Unit for gross proceeds of $793,000. Each Unit is comprised of one common share and one common share purchase warrant, with each warrant entitling the holder to acquire a further common share of the Corporation at a price of $0.10 until September 10, 2017. The fair value of the warrants has been determined to be $420,389 using the Black-Scholes option pricing model based on the following assumptions:

Risk free interest rate	1.73%
Dividend yield	nil
Expected stock volatility	138%
Expected life	4 years

(iii) On October 2, 2013, the Corporation closed a non-brokered private placement pursuant to which the Corporation issued 1,682,066 units ("Units") at a price of $0.05625 per Unit for gross proceeds of $94,616. Each Unit is comprised of one common share and one common share purchase warrant, with each warrant entitling the holder to acquire a further common share of the Corporation at a price of $0.10 until October 2, 2017. The fair value of the warrants has been determined to be $41,936 using the Black-Scholes option pricing model based on the following assumptions:

Risk free interest rate	1.73%
Dividend yield	nil
Expected stock volatility	147%
Expected life	4 years

(iv) In connection with the above two private placements, the Corporation incurred total transaction costs of $22,800, of which $11,187 was allocated to share capital with the remaining allocated to warrants.

(v) On May 23, 2014, the Corporation closed the first tranche of the non-brokered private placement announced on May 16, 2014 pursuant to which it issued 5,600,000 common shares at a price of $0.05 per common share for gross proceeds of $280,000 (the "Offering"). As part of the Offering, insiders subscribed for a total of 4,100,000 common shares or about 74% of the first tranche. In connection with the Offering, the Corporation incurred $2,473 in transaction costs.

(vi) On August 27, 2014, the Corporation closed the second tranche of the non-brokered private placement announced on May 16, 2014 pursuant to which it issued 2,100,000 common shares at a price of $0.05 per common share for gross proceeds of $105,000 (the "Offering"). In connection with the Offering, the Corporation incurred $2,217 in transaction costs.

8. Stock options

On April 4, 2013, the shareholders of the Corporation approved an amendment to its stock option plan (the "Plan") whereby the Corporation is authorized to grant options to purchase up to 25,615,000 outstanding common shares of the Corporation to directors, senior officers, full time employees and/or consultants of the Corporation. The terms of the awards under the Plan are determined by the Board of Directors.

	Number of stock options	Weighted average exercise price ($)
Balance, August 31, 2012	5,200,000	0.24
Granted (i)(ii)(iii)(iv)(v)	13,755,074	0.17
Cancelled (iii)	(666,667)	0.15
Balance, August 31, 2013	18,288,407	0.19
Granted (vi)(vii)	1,150,000	0.10
Expired	(6,296,065)	0.16
Balance, August 31, 2014	13,142,342	0.19

The following table reflects the actual stock options issued and outstanding as of August 31, 2014:

Expiry date	Exercise price ($)	Options outstanding	Weighted average remaining contractual life (yrs)	Options exercisable	Grant date fair value ($)	Fair value not recognized to date ($)
January 29, 2015	0.24	4,800,000	0.41	4,800,000	861,120	-
April 18, 2017	0.20	400,000	2.63	400,000	32,220	-
January 9, 2018	0.15	3,842,342	3.36	3,842,342	300,855	-
January 22, 2018	0.15	300,000	3.40	300,000	19,320	-
April 22, 2018	0.20	2,400,000	3.64	2,400,000	367,920	-
May 14, 2018	0.25	250,000	3.70	250,000	30,900	-
December 20, 2018	0.10	1,000,000	4.31	750,000	28,362	936
March 4, 2019	0.10	150,000	4.51	37,500	5,006	1,094
		13,142,342	2.41	12,779,842	1,645,703	2,030

(i) On January 9, 2013, the Corporation granted certain members of management options to purchase an aggregate of 8,325,074 common shares of the Corporation from treasury, such options being exercisable on or before the expiry of five years from the date of grant, at a price of $0.15 per common share. The fair value of the stock options has been determined to be $651,853 using the Black-Scholes model based on the following assumptions: risk free interest rate of 1.38%, dividend yield of 0%, expected stock volatility of 145% and expected life of 5 years. During the nine months ended May 31, 2014, the expiry date of 4,482,732 options was changed to April 30, 2014 because one of the optionees ceased to be eligible to hold the options. During the year ended August 31, 2014, $nil (2013 - $651,853) was recorded as share-based compensation in the consolidated statements of loss and comprehensive loss on account of all 8,325,074 options.

8. Stock options (continued)

(ii) On January 22, 2013, the Corporation granted certain members of management options to purchase an aggregate of 1,300,000 common shares of the Corporation from treasury, such options being exercisable on or before the expiry of five years from the date of grant, at a price of $0.15 per common share. Of these options granted, 633,333 are considered to have vested on January 22, 2013 and the balance of 666,667 options were scheduled to vest equally on each of January 22, 2014 and 2015. The fair value of the stock options was determined to be $83,720 using the Black-Scholes model based on the following assumptions: risk free interest rate of 1.39%, dividend yield of 0%, expected stock volatility of 145% and expected life of 5 years. On August 21, 2013, 666,667 unvested options were cancelled due to the termination of one of the optionees and 333,333 vested options expired unexercised on November 19, 2013 and as at August 31, 2014, 300,000 options remain outstanding. During the year ended August 31, 2014, $nil (2013 - $37,324) was recorded as share-based compensation in the consolidated statements of loss and comprehensive loss on account of all 1,300,000 options.

(iii) On April 5, 2013, the Corporation granted a member of management options to purchase an aggregate of 280,000 common shares of the Corporation from treasury, such options being exercisable on or before the expiry of five years from the date of grant, at a price of $0.24 per common share. The fair value of the stock options has been determined to be $52,836 using the Black-Scholes model based on the following assumptions: risk free interest rate of 1.56%, dividend yield of 0%, expected stock volatility of 148% and expected life of 5 years. The expiry date of these options was changed to November 19, 2013 due to the termination of the optionee. During the year ended August 31, 2014, $nil (2013 - $52,836) was recorded as share-based compensation in the consolidated statements of loss and comprehensive loss on account of these options.

(iv) On April 22, 2013, the Corporation granted 3,600,000 stock options to three directors with each option exercisable on or before the expiry of five years from the date of grant, at a price of $0.20 per common share. These options vested immediately upon grant. The fair value of the stock options has been determined to be $551,880 using the Black-Scholes model based on the following assumptions: risk free interest rate of 1.12%, dividend yield of 0%, expected stock volatility of 150% and expected life of 5 years. During the nine months ended May 31, 2014, the expiry date of 1,200,000 options was changed to April 30, 2014 because one of the directors ceased to be eligible to hold his options. During the year ended August 31, 2014, $nil (2013 -$551,880) was recorded as share-based compensation in the consolidated statements of loss and comprehensive loss on account of these options.

(v) On May 14, 2013, the Corporation granted 250,000 stock options to a consultant of the Corporation with each option exercisable on or before the expiry of five years from the date of grant, at a price of $0.25 per common share. Of these options, 125,000 had vested as of November 30, 2013. The remaining 125,000 options vested equally on each of February 1, 2014 and May 1, 2014. The fair value of the stock options has been determined to be $30,900 using the Black-Scholes option pricing model based on the following assumptions: risk free interest rate of 1.30%, dividend yield of 0%, expected stock volatility of 151% and expected life of 5 years. During the year ended August 31, 2014, $12,638 (2013 - $18,243) were recorded as share-based compensation in the consolidated statements of loss and comprehensive loss on account of these options.

(vi) On December 20, 2013, the Corporation granted a total of 1,000,000 stock options to a consultant of the Corporation with each option exercisable on or before the expiry of five years from the date of grant, at a price of $0.10 per common share. Of these stock options, 500,000 vest as to one-quarter on each of the date of grant, February 28, 2014, May 31, 2014 and August 31, 2014 and of the remaining 500,000 stock options, 125,000 vested on April 2, 2014 and a further 125,000 will vest every three months thereafter. The fair value of the stock options has been determined to be $28,362 using the Black-Scholes option pricing model based on the following assumptions: risk free interest rate of 1.96%, dividend yield of 0%, expected stock volatility of 141% and expected life of 5 years. During the year ended August 31, 2014, $27,426 (2013 - $nil) was recorded as share-based compensation in the consolidated statements of loss and comprehensive loss on account of these options.

8. Stock options (continued)

(vii) On March 4, 2014, the Corporation granted a total of 150,000 stock options to a consultant of the Corporation with each option exercisable on or before the expiry of five years from the date of grant, at a price of $0.10 per common share. The options will vest as to one quarter on each of June 4, September 4, and December 4, 2014 and March 4, 2015. The fair value of the stock options has been determined to be $5,006 using the Black-Scholes option pricing model based on the following assumptions: risk free interest rate of 1.77%, dividend yield of 0%, expected stock volatility of 144% and expected life of 5 years. During the year ended August 31, 2014, $3,912 (2013 - $nil) was recorded as share-based compensation in the consolidated statements of loss and comprehensive loss on account of these options.

9. Net loss per common share

The calculation of basic and diluted loss per share for the year ended August 31, 2014 was based on the loss attributable to common shareholders of $2,285,720 (year ended August 31, 2013 - $3,440,147) and the weighted average number of common shares outstanding of 147,157,891 (year ended August 31, 2013 - 92,830,280). Diluted loss per share did not include the effect of stock options and warrants as they are anti-dilutive.

10. Broker warrants

The following table reflects the continuity of broker warrants:

	Number of broker warrants	Grant date fair value ($)
Balance, August 31, 2012	-	-
Granted (note 7(b)(i))	764,000	75,025
Balance, August 31, 2013 and August 31, 2014	764,000	75,025

The following table reflects the actual broker warrants issued and outstanding as of August 31, 2014:

Expiry date	Exercise price ($)	Broker warrants outstanding	Grant date fair value ($)
February 15, 2017	0.15	764,000	75,025

11. Warrants

The following table reflects the continuity of warrants:

	Number of warrants	Grant date fair value, net of issuance costs ($)
Balance, August 31, 2012	12,000,000	282,244
Issued (note 7(b)(i))	60,000,000	3,055,236 [(1)]
Transaction costs (note 7(b)(i))	-	(152,581)[(1)]
Balance, August 31, 2013	72,000,000	3,184,899
Issued (note 7(b)(ii)(iii))	17,542,066	462,325
Transaction costs (note 7(b)(iv))	-	(11,613)
Balance, August 31, 2014	89,542,066	3,635,611

[(1)] The fair value of the warrants issued and the transaction costs allocated to warrants were revised during the year ended August 31, 2013.

11. Warrants (continued)

The following table reflects the actual warrants issued and outstanding as of August 31, 2014:

Expiry date	Exercise price ($)	Warrants outstanding	Grant date fair value, net of issuance costs ($)
December 30, 2016	0.10	12,000,000	282,244
February 8, 2017	0.15	49,687,500	2,429,530
February 15, 2017	0.15	10,312,500	473,125
September 10, 2017	0.10	15,860,000	411,191
October 2, 2017	0.10	1,682,066	39,521
		89,542,066	3,635,611

12. Income taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2013 - 26.5%) to the effective tax rate is as follows:

	2014	2013
Net loss before recovery of income taxes	**$ (2,285,720)**	$ (3,440,147)
Expected income tax recovery	**(605,720)**	(911,640)
Difference in foreign tax rates	**(246,340)**	(228,380)
Tax rate changes and other adjustments	**3,690**	(26,740)
Share-based compensation and non-deductible expenses	**15,020**	406,630
Undeducted share issue costs	**(7,280)**	(42,090)
Expiry of losses	**20,860**	-
Unrealized foreign exchange	**(24,050)**	-
Change in tax benefits not recognized	**843,820**	802,220
Income tax expenses	**$ -**	$ -

The following table summarizes the components of deferred tax:

	2014	2013
Deferred tax assets		
Non-capital losses carried forward	**$ 60,810**	$ -
Deferred tax liabilities		
Unrealized foreign exchange	**(60,810)**	-
Net deferred tax liabilities	**$ -**	$ -

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Corporation has the legal right and intent to offset.

12. Income taxes (continued)

Unrecognized deferred tax assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

August 31,	2014	2013
Equipment and other	**$ 28,870**	$ 23,250
Mineral properties	**4,503,720**	3,145,808
Share issuance costs	**136,600**	195,606
Non-capital losses carried forward	**4,865,860**	3,959,265
Net capital losses carried forward	**14,000**	-

The Canadian non-capital loss carry forwards expire as noted in the table below.

The net capital loss carry forward may be carried forward indefinitely, but can only be used to reduce capital gains. Share issuance costs will be fully amortized in 2018. Investment tax credit expire from 2014 - 2024. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

The Corporation's non-capital income tax losses expire as follows:

	Canada	USA
2015	$ 107,740	$ -
2026	58,790	-
2027	45,700	-
2028	120,770	-
2029	260,020	-
2030	387,120	-
2031	789,710	-
2032	478,670	-
2033	185,130	1,004,970
2034	680,050	747,190
	$ 3,113,700	$ 1,752,160

13. Related party balances and transactions

Related parties include the Board of Directors, officers, close family members and enterprises which are controlled by these individuals as well as certain persons performing similar functions. In accordance with International Accounting Standards 24 Related Party Disclosure, key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Corporation directly or indirectly, including any directors (executive and non-executive) of the Corporation.

California Gold entered into the following transactions with related parties:

(i) During the year ended August 31, 2014, occupancy fees of $30,350 (2013 - $21,693) were paid to a company of which the former President and current director of the Corporation is an officer.

(ii) As of August 31, 2014, the Corporation owed $9,662 (August 31, 2013 - $28,250) to R.W. Tomlinson Limited ("R.W. Tomlinson"), a company that is a shareholder of the Corporation and the amount is included in amounts payable and other liabilities.

(iii) As part of the Offering completed on September 10, 2013 (note7(b)(ii)), insiders subscribed for a total of 3,500,000 Units.

(iv) As part of the Offering completed on May 23, 2014 (note7(b)(v)), insiders subscribed for a total of 4,100,000 common shares.

Remuneration of key management personnel of the Corporation was as follows:

Years ended August 31,	2014	2013
Short-term benefits	$ 307,777	$ 421,832
Termination benefits	90,000	-
Share-based compensation	-	1,293,893
	$ 397,777	$ 1,715,725

As at August 31, 2014, the Corporation owed key management personnel $38,525 (August 31, 2013 - $16,188).

14. Contingency

The Corporation and certain of its directors have been named as respondents in an application filed by Martin Shefsky ("Shefsky"), a director and the former Chief Executive Officer ("CEO"), and his holding company ("Holdco") in the Court of Queen's Bench of Alberta, alleging, among other things (a) the failure of the Corporation to constitute its Board of Directors with a majority of nominees of the former CEO at its April 4, 2013 meeting of shareholders, (b) misrepresentations made in the context of negotiating Holdco’s services agreement, (c) breach of Holdco’s services agreement, and (d) certain improper actions by the Board of Directors in connection with the private placement of units completed in September 2013. The Corporation believes that the allegations being made by the former CEO and Holdco are groundless. The application brought by Shefsky and Holdco was heard before the Court of Queen's Bench of Alberta on April 2 and 3, 2014 and a decision of the matter is anticipated shortly.

15. Reserves

	As at August 31, 2014	As at August 31, 2013
Warrants	**$ 3,635,611**	$ 3,184,899
Broker warrants	**75,025**	75,025
Contributed surplus	**3,124,065**	3,080,089
	$ 6,834,701	$ 6,340,013

16. Subsequent events

(i) On September 3, 2014, the Corporation granted certain members of management and its Board of Directors options to purchase an aggregate of 4,850,000 common shares of the Corporation with such options being exercisable on or before the expiry of five years from the date of grant. Of the granted options, 3,600,000 options vested immediately upon grant and are exercisable at a price of $0.20 per common share while the balance of the options vest as to one-quarter on the three, six, nine and twelve month anniversaries of the grant thereof and are exercisable at a price of $0.10 per common share.

(ii) On September 10, 2014, the Corporation closed a non-brokered private placement pursuant to which it issued 7,000,000 common shares at a price of $0.05 per share for gross proceeds of $350,000.

(iii) On November 12, 2014, the Corporation appointed Mr. Vishal Gupta as the President and CEO.