
CALIFORNIA GOLD MINING INC.
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2016 AND 2015
(EXPRESSED IN CANADIAN DOLLARS)

Independent Auditors' 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 consolidated statements of financial position as at August 31, 2016 and 2015, and the consolidated statements of loss and comprehensive loss, cash flows, and changes in equity 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 consolidated 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained in our audits 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, 2016 and 2015, 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

Mississauga, Ontario
December 20, 2016

Chartered Professional Accountants
Licensed Public Accountants

MNP

California Gold Mining Inc.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

| As at, | August 31, 2016 | August 31, 2015 |
|--|---------------------|----------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 4,854 | \$ 4,629,785 |
| HST recoverable, accrued interest and amounts receivable | 34,775 | 27,200 |
| Prepaid expenses | 58,440 | 50,283 |
| Total current assets | 98,069 | 4,707,268 |
| Other assets | | |
| Prepaid expenses | 6,206 | 1,985 |
| Property, plant and equipment (note 4) | 6,427,232 | 6,416,780 |
| Total assets | \$ 6,531,507 | \$ 11,126,033 |
| EQUITY AND LIABILITIES | | |
| Current liabilities | | |
| Amounts payable and other liabilities (note 10) | \$ 312,289 | \$ 165,272 |
| Equity | | |
| Share capital (note 5) | 17,142,527 | 16,203,489 |
| Reserves (note 11) | 9,783,702 | 8,751,000 |
| Accumulated other comprehensive loss | (3,884) | (66,846) |
| Accumulated deficit | (20,703,127) | (13,926,882) |
| Total equity | 6,219,218 | 10,960,761 |
| Total equity and liabilities | \$ 6,531,507 | \$ 11,126,033 |

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

Nature of operations and going concern (note 1)

Subsequent event (note 13)

Approved on behalf of the Board:

“Vishal Gupta”, Director

“Patrick Cronin”, Director

California Gold Mining Inc.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

| | August 31, 2016 | August 31, 2015 |
|---|-----------------------|---------------------|
| Operating expenses | | |
| Exploration costs expensed (note 3) | \$ 5,075,254 | \$ 231,696 |
| Share-based compensation (notes 6 and 10) | 357,183 | 168,160 |
| Salaries and wages | 318,225 | 85,002 |
| Management fees (note 10) | 285,833 | 442,071 |
| Investor relations | 208,238 | 95,427 |
| Professional fees | 126,673 | 112,367 |
| Travel and meals | 85,480 | 22,913 |
| Shareholder information and compliance | 69,869 | 81,212 |
| Other general and administrative | 66,370 | 28,579 |
| Property taxes | 58,721 | 63,635 |
| Depreciation | 44,333 | 36,014 |
| Insurance | 32,885 | 35,432 |
| Occupancy costs | 32,413 | 28,225 |
| Interest and bank charges | 4,404 | 7,512 |
| Development costs | - | 1,205 |
| Loss (gain) on foreign exchange | 18,781 | (1,245,649) |
| Loss before below items | (6,784,662) | (193,801) |
| Gain on disposal of property, plant and equipment (note 4) | - | 175 |
| Interest income | 2,052 | 562 |
| Other income | 6,365 | 5,809 |
| Net loss for the year | \$ (6,776,245) | \$ (187,255) |
| Other comprehensive income (loss) for the year | | |
| Items that will be reclassified to profit or loss | | |
| Foreign exchange translation | 62,962 | (124,067) |
| Net comprehensive loss for the year | \$ (6,713,283) | \$ (311,322) |
| Basic and diluted net loss per share (note 7) | \$ (0.24) | \$ (0.02) |
| Weighted average number of common shares outstanding | 28,351,246 | 17,352,143 |

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

California Gold Mining Inc.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

| Year Ended August 31, | 2016 | 2015 |
|--|--------------------|---------------------|
| Operating activities | | |
| Net loss for the year | \$ (6,776,245) | \$ (187,255) |
| Adjustments for non-cash items: | | |
| Depreciation | 44,333 | 36,014 |
| Share-based compensation | 357,183 | 168,160 |
| Gain on disposal of property, plant and equipment | - | (175) |
| Management fees | - | 186,667 |
| Sale of equipment in reduction of amounts payable | - | 1,564 |
| Unrealized foreign exchange gains | (44,181) | (1,346,513) |
| Changes in non-cash working capital | | |
| HST recoverable, accrued interest and amounts receivable | (7,576) | (7,482) |
| Prepaid | (12,377) | 8,223 |
| Amounts payable, other liabilities and unearned income | 147,017 | (66,463) |
| Net cash used in operating activities | (6,291,846) | (1,206,250) |
| Investing activity | | |
| Purchase of property, plant and equipment | (75,064) | (19,797) |
| Net cash used in investing activity | (75,064) | (19,797) |
| Financing activity | | |
| Issue of securities, net of costs | 1,614,557 | 5,633,512 |
| Net cash provided by financing activity | 1,614,557 | 5,633,512 |
| Net change in cash and cash equivalents | (4,752,353) | 4,407,465 |
| Effect of foreign currency translation | 127,422 | 118,039 |
| Cash and cash equivalents, beginning of the year | 4,629,785 | 104,281 |
| Cash and cash equivalents, end of the year | \$ 4,854 | \$ 4,629,785 |
| Non-cash transactions: | | |
| Shares issued for debt | \$ - | \$ 186,667 |

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

California Gold Mining Inc.
Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)

Equity attributable to shareholders

| | Number of shares | Share capital | Reserves (note 11) | Accumulated other comprehensive income (loss) | Accumulated deficit | Total equity |
|---|-----------------------------|--------------------------|-------------------------------|--|--------------------------------|----------------------|
| Balance, August 31, 2014 | 15,388,262 | \$ 12,131,450 | \$ 6,834,701 | \$ 57,221 | \$ (13,739,627) | \$ 5,283,745 |
| Private placements (note 5) | 11,349,714 | 5,682,000 | - | - | - | 5,682,000 |
| Valuation of warrants | - | (1,757,197) | 1,757,197 | - | - | - |
| Transaction costs | - | (39,431) | (9,058) | - | - | (48,489) |
| Shares for debt conversion | 266,667 | 186,667 | - | - | - | 186,667 |
| Share-based payments | - | - | 168,160 | - | - | 168,160 |
| Net loss and comprehensive loss of year | - | - | - | (124,067) | (187,255) | (311,322) |
| Balance, August 31, 2015 | 27,004,643 | \$ 16,203,489 | \$ 8,751,000 | \$ (66,846) | \$ (13,926,882) | \$ 10,960,761 |
| Private placements (note 5) | 3,318,500 | 1,659,250 | - | - | - | 1,659,250 |
| Valuation of warrants | - | (681,982) | 681,982 | - | - | - |
| Transaction costs | - | (38,230) | (6,463) | - | - | (44,693) |
| Share-based payments | - | - | 357,183 | - | - | 357,183 |
| Net loss and comprehensive loss of year | - | - | - | 62,962 | (6,776,245) | (6,713,283) |
| Balance, August 31, 2016 | 30,323,143 | \$ 17,142,527 | \$ 9,783,702 | \$ (3,884) | \$ (20,703,127) | \$ 6,219,218 |

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

California Gold Mining Inc.

Notes to Consolidated Financial Statements

Years Ended August 31, 2016 and 2015

(Expressed in Canadian dollars)

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

For the year ended August 31, 2016, the Company incurred a loss of \$6,776,245 and had an accumulated deficit of \$20,703,127 at August 31, 2016. At August 31, 2016, the Company had a working capital deficiency of \$214,220. These factors indicate the existence of material uncertainties that cast significant doubt regarding the Company's ability to continue as a going concern. In order to meet future expenditures and cover administrative costs, the Company may need to raise additional financing. These consolidated financial statements have been prepared on the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

On June 6, 2016, the Corporation received approval from the TSX Venture Exchange to the consolidation of its common shares on the basis of ten (10) pre-consolidation shares for one (1) post-consolidation share (the "Consolidation"). Effective at opening on June 7, 2016, the Corporation's shares commenced trading on the TSX Venture Exchange on a consolidated basis. As part of the Consolidation, the stock options and warrants were also consolidated and the exercise price adjusted to reflect the Consolidation. The Consolidation has been reflected in these financial statements and all applicable references to the number of shares, warrants and stock options and their strike price and per share information has been adjusted.

2. Significant accounting policies

(a) Statement of compliance

These 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, 2016.

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 December 20, 2016.

California Gold Mining Inc.

Notes to Consolidated Financial Statements

Years Ended August 31, 2016 and 2015

(Expressed in Canadian dollars)

2. Significant accounting policies (continued)

(b) Basis of presentation

These 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 (n).

(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. 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.

California Gold Mining Inc.

Notes to Consolidated Financial Statements

Years Ended August 31, 2016 and 2015

(Expressed in Canadian dollars)

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 |
| Computer equipment and 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 the end of each reporting period. 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 its 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, officers and consultants to acquire shares of the Corporation. The fair value of options granted is recognized as share compensation 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.

(i) *Mineral interests, deferred exploration and development expenditures*

The Corporation expenses acquisition, exploration, and development expenditures as incurred on mineral properties not yet determined to be commercially viable and technically feasible. Acquisition, exploration, and development expenditures include acquisition costs of mineral properties, property option payments, evaluation, exploration, and permitting 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 development 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 development expenditures have been identified and capitalized.

California Gold Mining Inc.

Notes to Consolidated Financial Statements

Years Ended August 31, 2016 and 2015

(Expressed in Canadian dollars)

2. Significant accounting policies (continued)

(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 statements of financial position at fair value with changes in fair value recognized in the consolidated statements 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 statements of loss and comprehensive loss.

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 statements 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 statements of financial position at fair value with changes in fair value recognized in the consolidated statements of loss and comprehensive loss.

California Gold Mining Inc.

Notes to Consolidated Financial Statements

Years Ended August 31, 2016 and 2015

(Expressed in Canadian dollars)

2. Significant accounting policies (continued)

(k) Financial instruments (continued)

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:

Cash and cash equivalents

Accrued interest and amounts receivable

Classification:

Loans and receivables

Loans and receivables

Financial liabilities:

Amounts payable and other liabilities

Classification:

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 does not currently carry any assets or liabilities at fair value.

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

| | August 31, 2016 | August 31, 2015 |
|--|--------------------|--------------------|
| Loans and receivables ⁽¹⁾ | \$ 4,854 | \$ 4,650,008 |
| Other financial liabilities ⁽²⁾ | \$ 312,289 | \$ 165,272 |

⁽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.

California Gold Mining Inc.
Notes to Consolidated Financial Statements
Years Ended August 31, 2016 and 2015
(Expressed in Canadian dollars)

2. Significant accounting policies (continued)

(l) Impairment of financial assets (continued)

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.

(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) Significant estimates and assumptions

The following are the key estimates 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 dated June 20, 2013 (Note 3(b)).
- The series of loans made from the parent company are not considered parts of its net investment in the subsidiary as the Corporation plans to settle these balances in the foreseeable future. As a result of this assessment, the unrealized foreign exchange gains and losses are recorded through loss from operations. If the Corporation determined that settlement of these amounts was neither planned nor likely in the foreseeable future, the resultant foreign exchange gains and losses would be recorded through comprehensive loss. Substantially all of the foreign exchange gains or losses presented in the statements of operations relates to the unrealized foreign exchange gains or losses on these loans.

California Gold Mining Inc.

Notes to Consolidated Financial Statements

Years Ended August 31, 2016 and 2015

(Expressed in Canadian dollars)

2. Significant accounting policies (continued)

(o) *New accounting standards and interpretations*

Recent accounting pronouncements

IFRS 9 – Financial Instruments (“IFRS 9”) was issued by the IASB in its final form in July 2014 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.

In January 2016, the IASB issued IFRS 16, Leases (IFRS 16). IFRS 16 is effective for periods beginning on or after January 1, 2019, with early adoption permitted. IFRS 16 eliminates the current dual model for lessees, which distinguishes between on-statement of financial position finance leases and off-statement of financial position operating leases. Instead, there is a single, on-statement of financial position accounting model that is similar to current finance lease accounting. The extent of the impact of adoption of IFRS 16 has not yet been determined.

3. Exploration and evaluation expenditures on mineral properties

a) **Dingman Property:**

Costs incurred on the mineral interests for the Dingman Property for the year ended August 31, 2016 and August 31, 2015 are summarized as follows:

| | 2016 | 2015 |
|-------------------|----------|----------|
| Exploration costs | \$ 5,700 | \$ 3,600 |

Total cumulative costs incurred on the Dingman Property as of August 31, 2016 are summarized as follows:

| | |
|-------------------|---------------------|
| Acquisition costs | \$ 2,139,055 |
| Exploration costs | 1,194,030 |
| Land access fees | 85,500 |
| Finder fee | 25,000 |
| | <u>\$ 3,443,585</u> |

b) **Fremont 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 and dated June 20, 2013, 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 |

California Gold Mining Inc.**Notes to Consolidated Financial Statements****Years Ended August 31, 2016 and 2015****(Expressed in Canadian dollars)**

3. Exploration and evaluation expenditures on mineral properties (continued)**b) Fremont Property (continued)**

Costs incurred on the fee simple interest for the Fremont Property for the years ended August 31, 2015 and 2014 are summarized as follows:

| | 2016 | | 2015 | |
|--|-------------|-----------|-------------|---------|
| Improvement costs for building capitalized | \$ | - | \$ | 5,561 |
| Exploration and development expenditures | \$ | 5,069,554 | \$ | 229,301 |

Total cumulative costs incurred on the Fremont Property as of August 31, 2016 are summarized as follows:

| | | |
|-----------------------------------|----|------------|
| Acquisition and improvement costs | \$ | 5,885,901 |
| Exploration and development costs | | 7,120,076 |
| | \$ | 13,005,977 |

California Gold Mining Inc.
Notes to Consolidated Financial Statements
Years Ended August 31, 2016 and 2015
(Expressed in Canadian dollars)

4. Property, plant and equipment

| Cost | Furniture and Fixtures | Leasehold improvements | Computer equipment | Computer Software | Vehicles | Field equipment | Building | Land | Total |
|---------------------------------------|------------------------|------------------------|--------------------|-------------------|---------------|-----------------|----------------|------------------|------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance August 31, 2014 | 6,902 | 8,927 | 16,267 | 17,962 | 43,128 | 28,848 | 186,674 | 5,066,405 | 5,375,113 |
| Additions | - | - | - | - | - | 14,236 | 4,638 | 923 | 19,797 |
| Disposals | - | - | (1,501) | - | - | - | - | - | (1,501) |
| Effect of foreign exchange adjustment | 601 | - | 649 | 1,156 | 9,059 | 7,112 | 39,617 | 1,064,338 | 1,122,532 |
| Balance, August 31, 2015 | 7,503 | 8,927 | 15,415 | 19,118 | 52,187 | 50,196 | 230,929 | 6,131,666 | 6,515,941 |
| Additions | 4,327 | - | 4,653 | - | - | 66,084 | - | - | 75,064 |
| Effect of foreign exchange adjustment | (11) | - | (52) | (21) | (163) | (875) | (720) | (19,109) | (20,951) |
| Balance, August 31, 2016 | 11,819 | 8,927 | 20,016 | 19,097 | 52,024 | 115,405 | 230,209 | 6,112,557 | 6,570,054 |

| Accumulated depreciation | Furniture and Fixtures | Leasehold improvements | Computer equipment | Computer Software | Vehicles | Field equipment | Building | Land | Total |
|---------------------------------------|------------------------|------------------------|--------------------|-------------------|---------------|-----------------|---------------|------|----------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance August 31, 2014 | 1,202 | 8,922 | 5,741 | 3,483 | 15,207 | 7,088 | 11,353 | - | 52,996 |
| Depreciation | 1,162 | 5 | 2,830 | 4,474 | 9,324 | 7,773 | 10,446 | - | 36,014 |
| Disposals | - | - | (113) | - | - | - | - | - | (113) |
| Effect of foreign exchange adjustment | 110 | - | 174 | 459 | 4,006 | 2,124 | 3,391 | - | 10,264 |
| Balance, August 31, 2015 | 2,474 | 8,927 | 8,632 | 8,416 | 28,537 | 16,985 | 25,190 | - | 99,161 |
| Additions | 1,218 | - | 2,739 | 3,217 | 7,152 | 18,369 | 8,728 | - | 41,423 |
| Effect of foreign exchange adjustment | (8) | - | (18) | (21) | (168) | (251) | 2,704 | - | 2,238 |
| Balance, August 31, 2016 | 3,684 | 8,927 | 11,353 | 11,612 | 35,521 | 35,103 | 36,622 | - | 142,822 |

| Net carrying value | Furniture and Fixtures | Leasehold improvements | Computer equipment | Computer Software | Vehicles | Field equipment | Building | Land | Total |
|--------------------|------------------------|------------------------|--------------------|-------------------|----------|-----------------|----------|-----------|-----------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| August 31, 2015 | 5,029 | - | 6,783 | 10,702 | 23,650 | 33,211 | 205,739 | 6,131,666 | 6,416,780 |
| August 31, 2016 | 8,135 | - | 8,663 | 7,485 | 16,503 | 80,302 | 193,587 | 6,112,557 | 6,427,232 |

During the year ended August 31, 2015, the Corporation disposed of computer equipment with a net book value of \$1,388 in settlement of amounts payable of \$1,563, resulting a gain of \$175.

California Gold Mining Inc.

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5. 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

(i) On September 10, 2014, the Corporation closed a non-brokered private placement pursuant to which it issued 700,000 common shares at a price of \$0.50 per share for gross proceeds of \$350,000. The Corporation incurred transaction costs of \$2,860 in relation to the private placement.

(ii) On December 12, 2014, the Corporation closed a non-brokered private placement pursuant to which it issued 684,000 common shares at a price of \$0.50 per common share for gross proceeds of \$342,000. The Corporation incurred transaction costs of \$5,795 in relation to the private placement.

(iii) On February 6, 2015, the Corporation agreed to terminate the consulting services agreement of the holding company of its former President and director, Michael Churchill for \$186,667. On February 23, 2015, the Corporation settled this obligation through the issuance of 266,667 common shares of the Corporation at a price of \$0.70 per common share to the holding company of Michael Churchill.

(iv) On April 29, 2015, the Corporation closed a non-brokered private placement pursuant to which it has issued 285,714 common shares ("Common Shares") at a price of \$0.525 per Common Share for gross proceeds of \$150,000 (the "Offering"). The Corporation incurred transaction costs of \$9,432.

Insiders subscribed for 100% of the Offering for gross proceeds of \$150,000 on April 29, 2015 (note 10).

(v) On August 10, 2015, the Corporation closed the first tranche of the non-brokered private placement announced on July 28, 2015 pursuant to which it issued 9,680,000 units ("Units") at a price of \$0.50 per Unit for gross proceeds of \$4,840,000 (the "Offering"). Each Unit is comprised of one common share and one common share purchase warrant, with each warrant ("Warrant") entitling the holder to acquire a further common share of the Corporation at a price of \$1.00 for three years following the date of issuance. The fair value for each warrant has been determined to be \$0.18 using the Black-Scholes option pricing model based on the following assumptions and the proceeds were allocated based on relative fair value of the shares and the warrants:

| | |
|---------------------------|---------|
| Risk free interest rate | 0.59% |
| Dividend yield | nil |
| Expected stock volatility | 173% |
| Expected life | 3 years |

The Corporation incurred transaction costs of \$30,402, of which \$22,408 was allocated to share capital and the remaining \$7,994 was allocated to warrants.

Insiders subscribed for a total of 6,000,000 Units as part of the first tranche of the Offering (note 10).

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5. Share capital (continued)

b) Equity activity (continued)

(vi) On March 17, 2016, the Corporation closed a non-brokered private placement of 1,800,000 units ("Units") at a price of \$0.50 per Unit for total proceeds of \$900,000 (the "Offering"). 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 Company at a price of \$1.00 for three years following the date of issuance. The fair value for each warrant has been determined using the Black-Scholes option pricing model based on the following assumptions and the proceeds were allocated based on the relative fair value of the shares and the warrants:

| | |
|---------------------------|---------|
| Risk free interest rate | 0.52% |
| Dividend yield | nil |
| Expected stock volatility | 139% |
| Expected life | 3 years |

The Corporation incurred transaction costs of \$9,034, of which \$3,564 was allocated to warrants.

1,600,000 Units representing gross proceeds of \$800,000 were issued to a corporation controlled by a director of the Corporation.

On April 22, 2016, the Corporation closed a non-brokered private placement of 798,500 units ("Units") at a price of \$0.50 per Unit for total proceeds of \$399,250. 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 Company at a price of \$1.00 for three years following the date of issuance. The fair value for each warrant has been determined using the Black-Scholes option pricing model based on the following assumptions and the proceeds were allocated based on the relative fair value of the shares and the warrants:

| | |
|---------------------------|---------|
| Risk free interest rate | 0.52% |
| Dividend yield | nil |
| Expected stock volatility | 140% |
| Expected life | 3 years |

The Corporation incurred transaction costs of \$8,160, of which \$2,898 was allocated to warrants.

(vii) On May 5, 2016, the Corporation closed a non-brokered private placement of 720,000 units ("Units") at a price of \$0.50 per Unit for gross proceeds of \$360,000 (the "Offering"). 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 Company at a price of \$1.00 for three years following the date of issuance. The fair value for each warrant has been determined using the Black-Scholes option pricing model based on the following assumptions and the proceeds were allocated based on the relative fair value of the shares and the warrants:

| | |
|---------------------------|---------|
| Risk free interest rate | 0.52% |
| Dividend yield | nil |
| Expected stock volatility | 140% |
| Expected life | 3 years |

California Gold Mining Inc.

Notes to Consolidated Financial Statements

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5. Share capital (continued)

The Corporation incurred transaction costs of \$27,500. In connection with the Offering, the Company issued 48,300 broker warrants with each broker 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. The fair value for each broker warrant has been determined to be \$0.2 using the Black-Scholes option pricing model based on the following assumptions and the proceeds were allocated based on the relative fair value of the shares and the warrants:

| | |
|---------------------------|---------|
| Risk free interest rate | 0.52% |
| Dividend yield | nil |
| Expected stock volatility | 140% |
| Expected life | 3 years |

California Gold Mining Inc.

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6. 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 2,561,500 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, 2014 | 1,314,234 | 1.91 |
| Granted (i)(ii)(iii) | 520,000 | 1.69 |
| Expired | (984,234) | 2.00 |
| Balance, August 31, 2015 | 850,000 | 1.63 |
| Granted (iv) | 620,000 | 1.50 |
| Expired | - | - |
| Balance, August 31, 2016 | 1,470,000 | 1.60 |

The following table reflects the actual stock options issued and outstanding as of August 31, 2016:

| 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 22, 2018 | 1.50 | 30,000 | 1.40 | 30,000 | 19,320 | - |
| April 22, 2018 | 2.00 | 240,000 | 1.64 | 240,000 | 367,920 | - |
| May 14, 2018 | 2.50 | 25,000 | 1.70 | 25,000 | 30,900 | - |
| June 17, 2018 | 1.00 | 35,000 | 1.80 | 26,250 | 5,366 | 64 |
| December 20, 2018 | 1.00 | 100,000 | 2.31 | 100,000 | 28,362 | - |
| March 4, 2019 | 1.00 | 15,000 | 2.51 | 15,000 | 5,006 | - |
| July 29, 2019 | 2.00 | 60,000 | 4.91 | 60,000 | 34,200 | - |
| September 2, 2019 | 2.00 | 240,000 | 3.01 | 240,000 | 78,754 | - |
| September 2, 2019 | 1.00 | 125,000 | 3.01 | 125,000 | 45,777 | - |
| July 29, 2021 | 1.00 | 300,000 | 4.91 | 300,000 | 177,000 | - |
| July 29, 2021 | 1.50 | 20,000 | 4.91 | 5,000 | 11,600 | - |
| July 29, 2021 | 2.00 | 240,000 | 4.91 | 240,000 | 136,800 | - |
| | | 1,470,000 | 3.36 | 1,446,250 | 979,225 | 64 |

(i) On September 2, 2014, the Corporation granted certain members of its Board of Directors options to purchase an aggregate of 360,000 common shares of the Corporation with such options being exercisable on or before the expiry of five years from the date of grant. These options vested immediately upon grant and are exercisable at a price of \$2.0 per common share. The fair value of the stock options has been determined to be \$118,132 using the Black-Scholes option pricing model based on the following assumptions: risk free interest rate of 1.67%, dividend yield of 0%, expected stock volatility of 136% and expected life of 5 years. During the year ended August 31, 2015 one of the directors resigned and as a result the 120,000 granted to this director expired on December 1, 2014. During the year ended August 31, 2015, \$118,132 was recorded as share-based compensation in the consolidated statements of loss and comprehensive loss on account of these options.

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6. Stock options (continued)

(ii) On September 2, 2014, the Corporation granted an investor relations consultant options to purchase an aggregate of 125,000 common shares of the Corporation with such options being exercisable on or before the expiry of five years from the date of grant. These 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 \$1.0 per common share. The fair value of the stock options has been determined to be \$45,777 using the Black-Scholes option pricing model based on the following assumptions: risk free interest rate of 1.67%, dividend yield of 0%, expected stock volatility of 136% and expected life of 5 years. During the year ended August 31, 2016, \$63 (year ended August 31, 2015 - \$45,714) was recorded as share-based compensation in the consolidated statements of loss and comprehensive loss on account of these options.

(iii) On June 17, 2015, the Corporation granted a consultant options to purchase an aggregate of 35,000 common shares of the Corporation with such options being exercisable on or before the expiry of three years from the date of grant. These 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 \$1.0 per common share. The fair value of the stock options has been determined to be \$5,366 using the Black-Scholes option pricing model based on the following assumptions: risk free rate of 0.47%, dividend yield of 0%, expected stock volatility of 151% and expected life of 3 years. During the year ended August 31, 2016, \$3,080 (year ended August 31, 2015 - \$2,283) was recorded as share-based compensation in the consolidated statements of loss and comprehensive loss on account of these options.

(iv) On July 29, 2016, the Corporation granted certain members of its Board of Directors, officers and consultants options to purchase an aggregate of 620,000 common shares of the Corporation with such options being exercisable on or before the expiry of three or five years from the date of grant. These options vested immediately upon grant or over the next 12 months and are exercisable at a price that ranged from \$1.00 to \$2.0 per common share. The fair value of the stock options has been determined to be \$354,040 using the Black-Scholes option pricing model based on the following assumptions: risk free interest rate of 0.65%, dividend yield of 0%, expected stock volatility of 172% and expected life of 3 or 5 years.

7. Net loss per common share

The calculation of basic and diluted loss per share for the year ended August 31, 2016 was based on the loss attributable to common shareholders of \$6,776,245 (year ended August 31, 2015 - \$187,255) and the weighted average number of common shares outstanding of 28,351,246 (year ended August 31, 2015 - 17,352,143). Diluted loss per share did not include the effect of stock options and warrants as they are anti-dilutive.

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8. Broker warrants

The following table reflects the continuity of broker warrants:

| | Number of broker warrants | Grant date fair value (\$) |
|---|--------------------------------------|---------------------------------------|
| Balance, August 31, 2014, August 31, 2015 | 76,400 | 75,025 |
| Granted (note 5(b)(viii)) | 48,300 | 9,850 |
| August 31, 2016 | 124,700 | 84,875 |

The following table reflects the actual broker warrants issued and outstanding as of August 31, 2016:

| Expiry date | Exercise price (\$) | Broker warrants outstanding | Grant date fair value (\$) |
|--------------------|--------------------------------|--|---------------------------------------|
| February 15, 2017 | 1.5 | 76,400 | 75,025 |
| May 5, 2019 | 1.0 | 48,300 | 9,850 |
| | | 124,700 | 84,875 |

9. Warrants

| | Number of warrants | Grant date fair value, net of issuance costs (\$) |
|--|-------------------------------|--|
| Balance, August 31, 2014 and August 31, 2015 | 8,954,207 | 3,635,611 |
| Issued (notes 5(b)(i-v)) | 9,680,000 | 1,748,138 |
| Balance, August 31, 2015 | 18,634,207 | 5,383,750 |
| Issued (notes 5(b)(vi-viii)) | 3,318,500 | 665,669 |
| Balance, August 31, 2016 | 21,952,707 | 6,049,419 |

The following table reflects the actual warrants issued and outstanding as of August 31, 2016:

| Expiry date | Exercise price (\$) | Warrants outstanding | Grant Date fair value, net of issuance costs (\$) |
|--------------------|--------------------------------|---------------------------------|--|
| December 30, 2016 | 1.00 | 1,200,000 | 282,244 |
| February 8, 2017 | 1.50 | 4,968,750 | 2,429,530 |
| February 15, 2017 | 1.50 | 1,031,250 | 473,125 |
| September 10, 2017 | 1.00 | 1,586,000 | 411,191 |
| October 2, 2017 | 1.00 | 168,207 | 39,521 |
| August 10, 2018 | 1.00 | 9,680,000 | 1,748,139 |
| March 17, 2019 | 1.00 | 1,800,000 | 354,313 |
| April 22, 2019 | 1.00 | 798,500 | 164,524 |
| May 5, 2016 | 1.00 | 720,000 | 146,832 |
| | | 21,952,707 | 6,049,419 |

California Gold Mining Inc.

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10. 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.

The Corporation entered into no transactions with related parties during the year ended August 31, 2016 and August 31, 2015.

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

| Years ended August 31, | | 2016 | | 2015 |
|-------------------------------|----|----------------|----|-------------|
| Short-term benefits | \$ | 200,833 | \$ | 243,854 |
| Termination benefits | | 60,000 | | 186,667 |
| Share-based compensation | | 319,840 | | 128,268 |
| | \$ | 580,673 | \$ | 558,789 |

As at August 31, 2016, the Corporation owed key management personnel \$61,671 (August 31, 2015 - \$4,193) which is included in accounts payable and accrued liabilities.

11. Reserves

| | | August 31, 2016 | | August 31, 2015 |
|---------------------|----|------------------------|----|------------------------|
| Warrants | \$ | 6,049,419 | \$ | 5,383,750 |
| Broker warrants | | 84,875 | | 75,025 |
| Contributed surplus | | 3,349,408 | | 3,292,225 |
| | \$ | 9,783,702 | \$ | 8,751,000 |

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12. Income taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2015 - 26.5%) to the effective tax rate is as follows:

| | 2016 | 2015 |
|--|---------------------|-------------|
| Net loss before recovery of income taxes | \$ 6,776,245 | \$ 187,255 |
| Combined statutory income tax rate | 26.5% | 26.5% |
| Expected income tax recovery | (1,795,700) | (49,620) |
| Difference in foreign tax rates | (813,730) | 125,490 |
| Tax rate changes and other adjustments | (196,880) | (302,510) |
| Share-based compensation and non-deductible expenses | 102,150 | 48,160 |
| Undeducted share issue costs | (11,840) | (12,850) |
| Expiry of losses | - | 14,280 |
| Unrealized foreign exchange | (22,730) | 22,730 |
| Change in tax benefits not recognized | 2,738,730 | 154,320 |
| Income tax expenses | \$ - | \$ - |

The following table summarizes the components of deferred tax:

| | 2016 | 2015 |
|------------------------------------|-------------------|-------------|
| Deferred tax assets | \$ 618,250 | \$ 596,610 |
| Non-capital losses carried forward | | |
| Deferred tax liabilities | | |
| Unrealized foreign exchange | (618,250) | (593,130) |
| Other | | (3,480) |
| 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.

California Gold Mining Inc.

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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 because it is not probable that future taxable profit will be available against which the Corporation can utilize the benefits:

| August 31, | 2016 | 2015 |
|------------------------------------|----------------------|---------------------|
| Mineral properties | \$ 9,398,530 | \$ 4,887,610 |
| Share issuance costs | 107,610 | 121,210 |
| Non-capital losses - Canada | 4,592,210 | 3,863,300 |
| Non-capital losses - US | 2,009,280 | 1,034,900 |
| Net capital losses carried forward | 27,200 | 28,000 |
| Other temporary differences | 59,610 | 40,270 |
| | \$ 16,194,440 | \$ 9,975,290 |

The Canadian non-capital losses carried forward expire as noted in the table below. The US non-capital loss carry forwards expire between 2033 and 2036. The net capital loss carry forward may be carried forward indefinitely, but can only be used to reduce capital gains. Share issue and financing costs will be fully amortized in 2021. Investment tax credit expire from 2016 - 2026. The remaining deductible temporary differences may be carried forward indefinitely.

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

| | Canada | USA |
|------|---------------------|---------------------|
| 2016 | \$ 58,790 | \$ - |
| 2027 | 45,700 | - |
| 2028 | 120,770 | - |
| 2029 | 260,020 | - |
| 2030 | 387,120 | - |
| 2031 | 789,710 | - |
| 2032 | 478,670 | - |
| 2033 | 185,130 | 1,212,290 |
| 2034 | 680,050 | 804,940 |
| 2035 | 782,960 | 475,120 |
| 2036 | 803,280 | 1,035,960 |
| | \$ 4,592,200 | \$ 3,528,310 |

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13. Subsequent event

On October 24, 2016, the Company completed a non-brokered private placement consisting of a total of 1,855,806 units at a price of \$0.65 per unit, for gross proceeds of \$1,206,274. Each unit is comprised of one common share and one-half of one common share purchase warrant. Each whole warrant is exercisable into one common share of the Company for a period of 36 months from the date of issue at an exercise price of \$1.00. Finder's fees associated with this financing included an aggregate of \$15,015 in cash and 23,100 warrants. Each whole warrant is exercisable into one common share of the Company for a period of 36 months from the date of issue at an exercise price of \$0.65.

Insiders subscribed for a total of 1,076,923 Units as part of this offering.