

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 80892 / June 8, 2017

ADMINISTRATIVE PROCEEDING
File No. 3-18017

In the Matter of

**Can-Cal Resources Ltd.,
China Fruits Corp., and
SkyStar Bio-Pharmaceutical Co.,**

Respondents.

RESPONDENT **CAN-CAL**
RESOURCES **LTD.'S**
SUPPLEMENTAL BRIEF

Respondent Can-Cal Resources Ltd. (“Can-Cal”), by and through its counsel of Justin C. Jones, Esq. of Jones Lovelock, hereby files the following Supplemental Brief in accordance with the Securities and Exchange Commission’s Supplemental Briefing Order dated November 26, 2019.


Can-Cal previously committed to making its quarterly and annual filings in a timely manner and did so for several quarters in 2018. This year, Can-Cal’s finances were not as robust as expected and unfortunately, as stated in its September 9, 2019 8-K filing, Can-Cal did not have the financial resources to bring its filings current with the SEC. *See* attached Declaration of Casey Douglass. Since its September 9, 2019 8-K filing, Can-Cal has been able to secure \$100,000 in additional funding from Archemetrix Mineral Resources LLC (“Archemetrix”), and expects to receive an additional \$100,000 in December 2019 from Archemetrix. *Id.* In addition, Candeo Lava Products is required to pay Can-Cal \$100,000 in January 2020. *Id.*

With the initial influx of funds from Archemetrix, Can-Cal has already engaged its auditor, Thayer O’Neal, to assist in bringing Can-Cal current in its 2018 and 2019 SEC filings.

A copy of the engagement agreement is attached to the Douglass Declaration as Exhibit 1. As of today's date, Thayer O'Neal is wrapping up its work on the audit of Can-Cal through December 31, 2018 and expects to complete this work by Friday, December 13, 2019, with the 2019 audit work to follow. *See* Douglass Declaration. Upon completion of the audit work for 2018 and 2019, Can-Cal will bring its SEC filings current. *Id.*

In light of the fact that Can-Cal has obtained sufficient funds to fulfill its SEC filing requirements and has retained its auditor to do so, Can-Cal would respectfully request that the Division of Enforcement's renewed Motion for Summary Disposition be denied and that the Division's Motion to Dismiss instead be granted.

Respectfully submitted this 10th day of December, 2019.



Justin C. Jones, Esq.
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*Attorneys for Respondent Can-Cal
Resources, Ltd.*

CERTIFICATE OF SERVICE

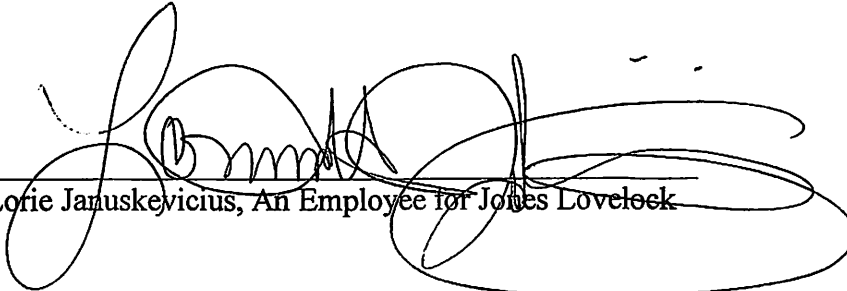
I hereby certify that true copies of **RESPONDENT CAL-CAL RESOPURCES LTD.'S SUPPLEMENTAL BRIEF** were served on this 10th day of December 2019, in the manner indicated below:

By U.S. Mail:

Commission's Secretary
100 F Street, N.E.
Mail Stop 1090
Washington, DC 20549

Vanessa Countryman
Office of the General Counsel
Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549-2557

David Misler
U.S. Securities & Exchange Commission
100 F Street NE
Washington, DC 20549
(Trial Counsel for Division of Enforcement)



Lorie Januskevicius, An Employee for Jones Lovelock

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**DECLARATION OF CASEY
DOUGLASS IN SUPPORT OF CAN-
CAL RESOURCES LTD.'S
SUPPLEMENTAL BRIEF**

CASEY DOUGLASS, pursuant to 28 U.S.C. § 1746, declares:

1. I am Chairman of the Board of Directors of Can-Cal Resources, Ltd. ("Can-Cal").
2. I have reviewed the Securities and Exchange Commission's ("SEC") September 17, 2019 Supplemental Briefing Order and make this declaration in support of Can-Cal's Supplemental Brief.
3. Can-Cal previously committed to making its quarterly and annual filings in a timely manner and did so for several quarters.
4. This year, Can-Cal's finances were not as robust as expected and unfortunately, as stated in its September 9, 2019 8-K filing, Can-Cal did not have the financial resources to bring its filings current with the SEC.
5. Since its September 9, 2019 8-K filing, Can-Cal has been able to secure \$100,000 in additional funding from Archemetrix Mineral Resources LLC, and expects to receive an additional \$100,000 in December, 2019 from Archemetrix.


6. In addition, Candeo Lava Products is required to pay Can-Cal \$100,000 in January 2020.

7. With the initial influx of funds from Archemetrix, Can-Cal has already engaged its auditor, Thayer O'Neal, to bring Can-Cal current in its 2018 and 2019 SEC filings. A copy of the engagement agreement is attached hereto as **Exhibit 1**.

8. As of today's date, Thayer O'Neal is wrapping up its work on the audit of Can-Cal through December 31, 2018 and expects to complete this work by Friday, December 13, 2019, with the 2019 audit work to follow.

9. Upon completion of the audit work for 2018 and 2019, Can-Cal will bring its SEC filings current.

Executed this 10th day of December, 2019.



CASEY DOUGLASS

EXHIBIT 1



THAYERONEAL

CERTIFIED PUBLIC ACCOUNTANTS

September 25, 2019

Members of the Board of Directors
Can-Cal Resources, Ltd.

We are pleased to confirm our understanding of the services we are to provide for Can-Cal Resources, Ltd (the Company) for the year ended December 31, 2018.

We will audit the balance sheets of the Company as of December 31, 2018, and the related statements of operations, stockholders' equity, cash flows, and schedules supporting those financial statements for the year then ended. Based on our audit, we will issue a written report on the Company's financial statements and schedules supporting the financial statements, all of which are to be included in a Form 10-K to be filed by the Company under the Securities Exchange Act of 1934.

Audit Objective

The objective of an audit of the financial statements is the expression of an opinion on the financial statements. Accordingly, the objective of our audit is the expression of an opinion about whether the Company's financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States.

Auditor Responsibilities

We are responsible for conducting our audit of the financial statements in accordance with the standards established by the Public Company Accounting Oversight Board (PCAOB). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. Because our audit is designed to provide reasonable, but not absolute, assurance and because we will not perform a detailed examination of all transactions, there is some risk that material misstatements of the financial statements may exist and not be detected by us. Although not absolute assurance, reasonable assurance is a high level of assurance. Also, a financial statement audit is not designed to detect error or fraud that is immaterial to the financial statements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements.

If circumstances arise in which it is necessary for us to modify the opinion in our report or to include an explanatory paragraph in our report, we will communicate the reasons for the modification or explanatory language and the revised wording of the report to management and the audit committee. If for any reason we are unable to complete our audit or are unable to form, or have not formed, an opinion, we retain the right to take any course of action permitted by professional standards or regulatory requirements, including declining to express an opinion or issue a report, or withdrawing from the engagement. In that circumstance, we will notify the audit committee and management.

Audit Procedures

Our audit of the financial statements will include tests of documentary evidence supporting the transactions recorded in the accounts, including tests of the physical existence of inventories and direct confirmation of certain assets and liabilities by correspondence with selected customers, creditors, and financial institutions.

The audit will include examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. In connection with our audit of the financial statements, we will obtain an understanding of internal control sufficient to plan the audit and to determine the nature, timing, and extent of audit procedures to be performed; however, an audit of the financial statements is not designed to provide assurance on internal control or to identify internal control deficiencies.

Our audit of the financial statements will also include reading the other information in the Company's SEC filing and considering whether other information in the report (including the manner of its presentation) is materially inconsistent with information in the financial statements. However, our audit will not include procedures to corroborate such other information. We are also required to read any document, including the annual report to shareholders and filings with the SEC, that contains or incorporates by reference our audit or interim review reports, or contains any reference to us.

Review of Unaudited Quarterly Financial Information

In conjunction with the annual audit, we will also perform a review of the Company's unaudited quarterly financial statements for the three quarters in the year ending December 31, 2019, which will be included in Form 10Q proposed to be filed by the Company under the Securities Exchange Act of 1934. These reviews will be conducted in accordance with the standards of the PCAOB. The objective of a review of interim financial information is to provide a basis for communicating whether we are aware of any material modifications that should be made to the interim financial information for it to conform with U.S. generally accepted accounting principles. A review is substantially less in scope than an audit conducted in accordance with PCAOB standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we will not express an opinion on the Company's interim financial information.

A review of interim financial information consists principally of performing analytical procedures applied to financial data and making inquiries of persons responsible for financial and accounting matters. It includes obtaining sufficient knowledge of the Company's business and its internal control as it relates to the preparation of both annual and interim financial information (1) to identify the types of potential material misstatements in the interim financial information and consider the likelihood of their potential occurrence, and (2) to select the inquiries and analytical procedures that will provide a basis for communicating whether we are aware of any material modifications that should be made to the interim financial information for it to conform with U.S. generally accepted accounting principles.

A review does not contemplate tests of accounting records or internal controls, tests of responses to inquiries by obtaining corroborating evidence, or performing certain other procedures ordinarily performed in an audit. Thus, a review does not provide assurance that we will become aware of all significant matters that would be identified in an audit and cannot be relied on to detect errors, fraud, or illegal acts. Furthermore, given the limited nature of review procedures, we may not become aware of all matters that might affect judgments about qualitative aspects of the Company's accounting policies and procedures. Also, a review is not designed to provide assurance on internal control or to identify material weaknesses or significant deficiencies in internal control.

As agreed, we will not issue a written report on our review of the Company's interim financial information. However, if the Company refers to the interim financial information that we have reviewed when such information is included in documents issued to shareholders or third parties, including the SEC, we are required by professional standards to issue a written report on our review, which must accompany the interim financial information in the document.

If, for any reason, we are unable to complete our review or are unable to obtain or have not obtained limited assurance on the interim financial information, we will communicate the circumstances to the audit committee and management.

Auditor Responsibility to Communicate with the Audit Committee and Management

We will communicate to the audit committee and management of the Company, as appropriate, any errors, fraud, or other illegal acts (unless clearly inconsequential) that come to our attention during our audit. In the case of illegal acts that, in our judgment, would have a material effect on the financial statements, we are also required to follow procedures set forth in the Private Securities Litigation Reform Act of 1995 and in Section 10A of the Securities Exchange Act of 1934, which, under certain circumstances, requires us to communicate our conclusions to the SEC. While the objective of our audit of the financial statements is not to report on the Company's internal control and we are not obligated to search for material weaknesses or significant deficiencies as part of our audit of the financial statements, we will communicate in writing to the audit committee, board of directors and management all material weaknesses and significant deficiencies relating to internal control over financial reporting identified while performing our audit.

We will also communicate in writing to management all deficiencies in internal control over financial reporting that are of a lesser magnitude than significant deficiencies not previously communicated in writing by us or by others, including the Company's internal auditors. We will also inform the audit committee when we have communicated to management all internal control deficiencies. If we conclude that the audit committee's oversight of the Company's external financial reporting and internal control over financial reporting is ineffective, we will communicate that conclusion in writing to the Company's board of directors.

We are also responsible for communicating with the audit committee about certain other matters related to our audit, including:

- (1) Our audit responsibility under PCAOB standards;
- (2) Information relating to our independence with respect to the Company;
- (3) An overview of our overall audit strategy, timing of the audit, and significant risks identified during our risk assessment procedures;
- (4) Management's initial selection of, or changes in, significant accounting policies or the application of such policies, and the effect on the Company's financial statements or disclosures of significant accounting policies in controversial areas or areas for which there is a lack of authoritative guidance or consensus or diversity in practice;
- (5) The Company's critical accounting policies and practices, including the reasons certain policies and practices are considered critical and how current and anticipated future events

might affect the determination of whether certain policies and practices are considered critical;

- (6) A description of the process management used to develop critical accounting estimates, management's significant assumptions used in critical accounting estimates that have a high degree of subjectivity, and any significant changes management made to the process used to develop critical accounting estimates or management's significant assumptions, including a description of management's reasons for the changes and the effects of the changes on the financial statements;
- (7) Significant transactions outside of the normal course of the Company's business or that otherwise appear to be unusual due to their nature, timing, or size, along with the policies and practices used to account for significant unusual transactions, and our understanding of the business purpose (or lack thereof) of significant unusual transactions;
- (8) Our evaluation of the Company's identification of, accounting for, and disclosure of its relationships and transactions with related parties;
- (9) Our evaluation of the quality of the Company's financial reporting;
- (10) Corrected misstatements arising from our integrated audit and the implications that such corrected misstatements might have on the Company's financial reporting process;
- (11) Uncorrected misstatements aggregated during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate;
- (12) If applicable, our evaluation of the Company's ability to continue as a going concern;
- (13) Difficult or contentious issues about which we consulted with others and that we believe are relevant to the audit committee's oversight of the financial reporting process;
- (14) Disagreements with management about matters, whether or not satisfactorily resolved, that could be significant to the Company's financial statements or our report;
- (15) Any concerns we may have related to significant auditing or accounting matters about which management has consulted with other accountants;
- (16) Any issues discussed with management prior to our retention, including significant discussions regarding the application of accounting principles and auditing standards;
- (17) Any significant difficulties encountered in performing the audit; and
- (18) Other matters required to be communicated by PCAOB standards or that are significant to the oversight of the Company's financial reporting process.

Furthermore, we are responsible for providing a copy of the management representation letter to the audit committee if management has not done so, and for communicating to the audit committee other material written communications between the auditor and management.

Can-Cal Resources, Ltd.
Audit Engagement letter
Year ended December 31, 2018

In connection with our reviews of the Company's unaudited quarterly financial information, we will communicate to the audit committee and management any matters that come to our attention that we believe may require material modifications to the financial information to make it conform with accounting principles generally accepted in the United States. Further, we will communicate any significant deficiencies or material weaknesses that come to our attention.

Management Responsibilities

Management is responsible for the fair presentation of the Company's financial statements (including disclosures) in accordance with accounting principles generally accepted in the United States, for the selection and application of accounting principles, for making all financial records (including names of related parties and related-party relationships and transactions) and relevant information available to us on a timely basis, and for the accuracy and completeness of that information. Management also agrees that we will have unrestricted access to persons within the Company from whom we determine it necessary to obtain audit evidence and the full cooperation of Company personnel.

Management is also responsible for adjusting the financial statements to correct material misstatements relating to accounts or disclosures and affirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. In addition, management is responsible for the design and implementation of programs and controls to prevent and detect fraud and for identifying and ensuring that the Company complies with applicable laws and regulations, and for informing us of any known material violations of such laws and regulations that would have an effect that is material to financial statement amounts or disclosures.

Management is also responsible for establishing and maintaining effective internal control over financial reporting, including monitoring activities; notifying us of all deficiencies in the design or operation of internal control over financial reporting of which it has knowledge; and describing to us any fraud resulting in a material misstatement of the financial statements and any other fraud involving senior management or employees who have a significant role in the Company's internal control.

Management is responsible for the Company's interim financial information and for establishing and maintaining effective internal control over financial reporting. It is also responsible for identifying and ensuring that the Company complies with the laws and regulations applicable to its activities; making all financial records and related information available to us; adjusting the interim financial information to correct material misstatements; and affirming that the effects of any uncorrected misstatements pertaining to the periods under review are immaterial, both individually and in the aggregate, to the interim financial information taken as a whole.

At the conclusion of our reviews and our audit, you agree to provide us with a letter that confirms certain representations made by management during our reviews and audit about the Company's financial statements and related matters.

Engagement Administration, Fees, and Other

Iqbal Safdar is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

The fee for the audit for the year ended December 31, 2018 will be \$15,000. Fees for the interim reviews

Can-Cal Resources, Ltd.
Audit Engagement letter
Year ended December 31, 2018

will be \$2,500 per quarter. We will require a retainer of \$15,000 to commence this engagement. Fees for subsequent services will be billed at our standard hourly rates. A significant increase in operations, business acquisition, debt financing or capital raises may result in an increased level of fees. We will estimate the fee in advance if those issues should arise.

Our fee estimate is based upon the following criteria and assumptions:

- Your accounting staff or contracted assistance is competent in accounting and SEC financial reporting matters and the information provide to us will be complete and accurate;
- Your accounting staff or contracted assistance will be able to provide all documentation required for the audit including workpapers and permanent documents normally required for a financial statements audit. We will provide a detailed list prior to the commencement of the audit;
- All workpapers and documentation required by us will be provided through the secure web portal Suralink;
- Anticipated cooperation from Company personnel;
- Timely responses to our inquiries;
- Timely communication of all significant accounting and financial matters; and
- The assumption that unexpected circumstances will not be encountered during the engagement.

A significant increase in operations, debt financing or capital raises may result in an increased level of fees. We will estimate the fee in advance if those issues should arise. These services will be billed at our standard hourly rates.

If significant additional time is necessary, we will keep Company management informed of any problems we encounter and our fees will be adjusted accordingly. Any additional services will result in additional fees. These might include:

- Review of registration statements
- Review and response to SEC comment letters
- Tax compliance services, if any.

All fees are payable by wire transfer and we require payment of fees prior to the SEC filing. Wire transfer instructions will be on each invoice and are as follows:

Account name: Thayer O'Neal Company, LLC

Chase Bank
270 Park Avenue
New York, NY 10017
Routing # [REDACTED]
Account # [REDACTED]
SWIFT CODE: [REDACTED]

Subsequent billings based on fee estimates or fees that are not fixed by a price quote are due thirty days after the receipt of the invoice. If invoices remain unpaid thirty days after their due date, we will require that you agree to a payment plan before providing additional services. The plan must recognize the debt you owe and set a reasonable payment schedule to satisfy the debt. If after ten days of our demand for a

Can-Cal Resources, Ltd.
Audit Engagement letter
Year ended December 31, 2018

payment plan we are unable to agree on a payment plan or if you fail to satisfy the plan, you will receive a demand letter from our attorney notifying you that your account is in collections.

Though acting as a corporate officer, the undersigned personally guarantees the payment of this account and collection costs incurred after demand of payment in his individual capacity.

We may contract with certain individuals, partnerships or companies outside of US who are not employees of our firm to perform certain audit work pertaining to the Company's audit on our behalf and we may share audit information provided by your Company with them electronically outside of US to perform certain audit procedures. You agree and authorize us to do so.

By signing this engagement letter, you agree to submit any dispute concerning our services to final and binding arbitration conducted under the Rules of the American Arbitration Association that pertain to the resolution of claims against accountants. The parties must first attempt to settle the dispute by mediation, administered by an agreed upon mediator in Harris County, Texas. If settlement is not reached within sixty days of a written demand for mediation, any claims shall be settled by arbitration.

The party requesting arbitration must serve, by certified mail, a written demand that explains the dispute in detail. Within ten days after service, each party shall choose an independent arbitrator. If one party does not choose an arbitrator, the arbitrator chosen by the other party will conduct the arbitration alone. If both parties choose an arbitrator, the two arbitrators must select and appoint a third independent arbitrator. The decision of two arbitrators in writing under oath shall be final and binding upon all parties.

The arbitrator(s) shall have authority to award compensatory damages, but only for such damages as found to have been directly and solely caused by acts, errors, or omissions that fail to comply with our professional standards in all material respects. Judgment on the arbitrator(s)' decision may be entered by any court of competent jurisdiction in Harris County, Texas.

This Engagement Letter shall have the effect of a signed contract under the laws of the State of Texas. The parties agree that venue of any dispute arising out of, or related to, this engagement must lie exclusively in the state and federal courts of Harris County, Texas. The benefits and responsibilities of the engagement inure to the parties' heirs, assigns, successors-in-interest, and legal representatives.

The preceding paragraphs notwithstanding, nothing in this agreement shall be construed to prevent Thayer O'Neal or the engagement partner to bring a suit on a sworn account in a court of competent jurisdiction in Harris County, Texas.

By signing this Engagement Letter, you promise to make every diligent effort to maintain proper books and records that accurately reflect your business activities, and that we may rely upon oral and written statements and responses to questions.

You further promise to advise us if you become aware of inaccuracies in your business dealings, including management's representations or statements to us.

Can-Cal Resources, Ltd.
Audit Engagement letter
Year ended December 31, 2018

You acknowledge that these provisions are the cornerstone of your relationship with us, and made to induce Thayer O'Neal to accept this audit engagement, and that Thayer O'Neal would not accept this audit engagement without such promises.

Work papers and audit documentation prepared by us in connection with this engagement are the property of Thayer O'Neal. However, we will not disclose the confidential information disclosed to us during this engagement except where required by law or permitted under the rules of professional conduct governing accountants.

In the event that we are required to respond to a subpoena, court order, or other request for production of documents or testimony relative to information obtained or prepared during the course of our engagement, you agree to compensate us at our hourly rates for the time we spend in connection with such responses and to reimburse us for all our out-of-pocket expenses incurred in that regard, including but not limited to reasonable attorneys' fees.

Any additional services that may be requested, and we agree to provide, will be the subject of separate arrangements.

The audit documentation for this engagement is the property of our firm and constitutes confidential information. However, we may be requested to make certain audit documentation available to the PCAOB, SEC, or other regulators pursuant to the authority given to them by law or regulation. If requested, access to such audit documentation will be provided under the supervision of firm personnel. Further, upon request, we may provide copies of selected audit documentation to the regulator. The regulator may intend, or decide, to distribute the copies or information contained therein to others, including other government agencies. We agree to communicate with you on a timely basis any requests by the PCAOB for access to audit documentation as part of its inspection process and when it desires direct contact with members of the audit committee.

Regarding electronic filings, management agrees that, before filing any document in electronic format with the SEC with which we are associated, we will be advised of the proposed filing on a timely basis. We will provide the Company a signed copy of our report and consent. These manually signed documents will serve to authorize the use of our name prior to the Company's electronic transmission. Management will provide us with a complete copy of the accepted document.

The Company may wish to include or incorporate by reference our audit report on these financial statements in other documents, such as a registration statement proposed to be filed under the Securities Act of 1933 or in some other securities offering. If so, you agree not to include our audit report or make reference to our Firm without our prior permission or consent. Any agreement to perform work in connection with an offering, including an agreement to provide permission or consent, will be a separate engagement.

Can-Cal Resources, Ltd.
Audit Engagement letter
Year ended December 31, 2018

We appreciate the opportunity to be of service and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

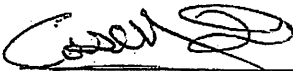
Very truly yours,

Thayer O'Neal Company, LLC

Thayer O'Neal Company, LLC

RESPONSE:

This letter correctly sets forth the understanding of Can-Cal Resources, Ltd..



~~Audit Committee Chair~~ Board Chair

Sept 25, 2019

Date