EMGOLD MINING CORPORATION

(AN EXPLORATION STAGE COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

Stated in US Dollars

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MANAGEMENT'S RESPONSIBILITY

To the Shareholders of Emgold Mining Corporation:

Management is responsible for the preparation and presentation of the accompanying audited consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the audited consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Board of Directors and the Audit Committee are composed primarily of Directors who are neither management nor employees of the Company. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information presented. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and the external auditors. The Audit Committee has the responsibility of meeting with management, and the external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Board is also responsible for recommending the appointment of the Company's external auditors.

We draw attention to Note 1 in the audited consolidated financial statements which indicates the existence of a material uncertainty that may cast substantial doubt on the Company's ability to continue as a going concern.

MNP LLP, an independent firm of Chartered Professional Accountants, is appointed by shareholders to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with the Board of Directors, Audit Committee, and management to discuss their audit findings.

June 12, 2020

The consolidated financial statements were approved by the Board of Directors on June 12, 2020 and were signed on its behalf by:

"David Watkinson"	*"Robert Rosner"*
David Watkinson, President & CEO	Robert Rosner, CFO

Independent Auditor's Report

To the Shareholders of Emgold Mining Corporation:

Opinion

We have audited the consolidated financial statements of Emgold Mining Corporation and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and December 31, 2018, and the consolidated statements of comprehensive income (loss), changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2019 and December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates the Company has a working capital deficit of $498,083 and an accumulated deficit of $53,726,683 as at December 31, 2019. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless

Suite 2200, MNP Tower, 1021 West Hastings Street, Vancouver, British Columbia, V6E 0C3, Phone: (604) 685-8408, 1 (877)688-8408

management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Jenny Lee.

MNP LLP

Vancouver, British Columbia

June 12, 2020

Chartered Professional Accountants

Independent Auditor's Report

To the Shareholders of Emgold Mining Corporation:

Opinion

We have audited the consolidated financial statements of Emgold Mining Corporation and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and December 31, 2018, and the consolidated statements of comprehensive income (loss), changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2019 and December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates the Company has a working capital deficit of $498,083 and an accumulated deficit of $53,726,683 as at December 31, 2019. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Those

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- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Jenny Lee.

Vancouver, British Columbia

June 12, 2020 Chartered Professional Accountants

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at December 31 2019	December 31 2018
		$	$
ASSETS			
Current assets			
Cash		**160,361**	203,042
Amounts receivable	6	**143,526**	51,094
Assets held for sale	8	**2**	154,452
Marketable securities	7	**516,168**	2,061,648
Prepaid expenses		**160,682**	9,261
Due from related parties	10	**18,738**	–
		999,477	2,479,497
Non-current assets			
Deposit		**4,500**	4,500
Exploration and evaluation assets	9	**2,121,248**	1,131,983
Reclamation bonds		**18,037**	16,910
Right-of-use asset	13	**69,604**	–
		2,213,389	1,153,393
Total Assets		**3,212,866**	3,632,890
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		**550,875**	478,438
Due to related parties	10	**393,852**	441,134
Flow-through share premium liability	12	**88,043**	21,631
Lease liability	13	**21,302**	–
Warrant liability	11	**443,488**	371,646
		1,497,560	**1,312,849**
Lease liability	13	**25,909**	–
Total liabilities		**1,523,469**	**1,312,849**
SHAREHOLDERS' EQUITY			
Share capital	11	**47,264,277**	45,622,784
Warrants - reserve	11	**803,764**	701,802
Options - reserve	11	**7,348,039**	7,215,227
Accumulated Deficit		**(53,726,683)**	(51,219,772)
		1,689,397	2,320,041
Total liabilities and equity		**3,212,866**	3,632,890

Nature of operations and going concern (Note 1)
Events after the Reporting Period (Note 18)

Approved and authorized for issuance by the board of directors on June 12, 2020

"David Watkinson"
David Watkinson, Director

"Andrew MacRitchie"
Andrew MacRitchie, Director

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Note	Years ended December 31, 2019	2018
		$	$
EXPENSES			
Exploration and Evaluation			
Resource property expense	9	1,134,007	555,687
General and Administrative			
Advertising and promotion		164,503	400
Banking costs		5,609	991
Depreciation of right-of-use asset	13	3,148	–
Insurance		24,712	10,988
Lease liability accetion expense	13	1,210	–
Listing and filing fees		79,114	59,209
Management and consulting		767,847	683,334
Professional fees		150,567	106,478
Office and administration		28,298	38,008
Rent		41,124	38,869
Share based compensation	11	132,812	152,446
Shareholder communication		–	5,476
Travel		107,372	20,555
Net Loss Before Other Items		(2,640,323)	(1,672,441)
Other Items			
Sublet income		14,550	10,800
Amortization of flow-through share premium liability	12	22,599	–
Financing charges		(11,567)	(16,451)
Foreign exchange gain		48,447	(4,325)
Gain on disposition of assets	8	9,504	1,162,526
Gain on disposition of marketable securities		142,791	–
Fair value adjustment for marketable securities	7	(360,646)	384,841
Fair value adjustments for warrant liability	10	267,734	409,273
Income (Loss) and comprehensive income (loss)		(2,506,911)	274,223
Earnings per share, basic and diluted		(0.05)	0.02
Weighted average number of common shares outstanding - basic and diluted		47,390,170	15,730,024

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Number of Outstanding Shares	Share Capital	Number of Outstanding Warrants	Reserves Warrants	Number of Outstanding Options	Reserves Options	Deficit	Shareholders' Equity
Balance, December 31, 2017	7,971,206	$ 44,095,360	–	$ 686,349	265,000	$ 7,062,781	$ (51,493,995)	$ 350,495
Shares issued for properties	11,428,572	959,789	–	–	–	–	–	959,789
Private Placement - Flow-through (net of issuance costs)	9,398,143	550,534	4,912,932	10,680	–	–	–	561,214
Private Placement - Non flow-through (net of issuance costs)	6,595,499	17,101	6,595,499	4,773	–	–	–	21,874
Options granted	–	–	–	–	3,000,000	152,446	–	152,446
Options expired	–	–	–	–	(265,000)	–	–	–
Comprehensive income for the year	–	–	–	–	–	–	274,223	274,223
Balance, December 31, 2018	35,393,420	$ 45,622,784	11,508,431	$ 701,802	3,000,000	$ 7,215,227	$ (51,219,772)	$ 2,320,041
Private Placement - Flow-through (net of issuance costs)	**6,160,833**	**440,850**	**1,852,617**	**12,882**	**–**	**–**	**–**	**453,732**
Private Placement - Non flow-through (net of issuance costs)	**12,973,385**	**633,552**	**13,124,185**	**3,016**	**–**	**–**	**–**	**636,568**
Shares issued for properties	**7,748,868**	**567,091**	**2,000,000**	**86,064**	**–**	**–**	**–**	**653,155**
Options granted	**–**	**–**	**–**	**–**	**1,550,000**	**132,812**	**–**	**132,812**
Options cancelled/forfeited	**–**	**–**	**–**	**–**	**(925,000)**	**–**	**–**	**–**
Comprehensive loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(2,506,911)**	**(2,506,911)**
Balance, December 31, 2019	**62,276,506**	**$ 47,264,277**	**28,485,233**	**$ 803,764**	**3,625,000**	**$ 7,348,039**	**$ (53,726,683)**	**$ 1,689,397**

CONSOLIDATED STATEMENT OF CASHFLOWS

	Years ended December 31, 2019	2018
	$	$
Operating activities		
Income (Loss) for the year	**(2,506,911)**	274,223
Items not affecting cash:		
Amortization of flow-through share premium liability	**(22,599)**	–
Depreciation of right-of-use assets	**3,148**	–
Lease liability accretion expense	**1,210**	–
Unrealized foreign exchange loss	**5,383**	42,337
Fair value adjustment for marketable securities	**360,646**	(384,841)
Fair value adjustments for warrant liability	**(267,734)**	(409,273)
Gain on disposition of assets	**(9,504)**	(1,162,526)
Gain on disposition of marketable securities	**(142,791)**	–
Share-based compensation	**132,812**	152,446
Changes in non-cash operating working capital		
Amounts receivable	**(91,612)**	(31,063)
Prepaid expenses and deposits	**(151,421)**	106,045
Accounts payable and accrued liabilities	**460,258**	280,886
Due to related parties	**(66,020)**	112,880
Cash used in operating activities	**(2,295,135)**	(1,018,886)
Investing activities		
Reclamation bond	**(8,343)**	–
Resource properties royalty payments received	**10,000**	10,000
Proceeds from sale of mineral property	**–**	192,858
Proceeds from sale of marketable securities	**1,110,976**	–
Acquisition of mineral properpties	**(346,112)**	(381,511)
Cash provided by (used in) investing activities	**766,521**	(178,653)
Financing activities		
Lease payments on principal portion	**(26,052)**	–
Lease payments on interest portion	**(1,210)**	–
Net proceeds from units issued for cash	**1,518,614**	1,382,009
Cash provided by financing activities	**1,491,352**	1,382,009
(Decrease) Increase in cash	**(37,262)**	184,470
Exchange difference on cash	**(5,419)**	–
Cash, beginning of year	**203,042**	18,572
Cash, end of year	**160,361**	203,042
Schedule of Non-cash Investing and Financing Transactions		
Shares issued for mineral property acquisitions	653,155	959,789

1. Nature of operations and going concern

Emgold Mining Corporation ("the Company" or "Emgold") is incorporated under the British Columbia Corporations Act and the principle place of business is located at 1015 - 789 West Pender Street, Vancouver, British Columbia, V6C 1H2. The Company's business model is to acquire, explore, and divest of mineral property interests (an A&D model) with the goal of creating value for our shareholders. Acquisitions or divestitures could be purchase or sale of assets, option or joint venture of assets, royalty transaction, or other business transactions that are a fit for a specific asset. The Company's shares are traded on the TSX Venture Exchange ("TSX-V") under the symbol EMR, the OTC Market under the symbol EGMCF, and the Frankfurt ("FRA") and Berlin ("BSE") Stock Exchanges under the symbol EMLM.

These audited consolidated financial statements have been prepared on the basis of the accounting principles applicable to a going concern, which assumes the Company's ability to continue in operation for the foreseeable future and to realize the potential of its assets and discharge its liabilities in the normal course of operations. The Company currently has a negative operating cash flow and has incurred operating losses since inception. The Company generates revenue by the sale of common shares of public mining companies it owns, revenue generated by the sale, joint venture, option, or other transactions related to its assets, or through equity financings, where the amount or timing of revenue cannot be guaranteed.

The Company is currently unable to self-finance 100% of its planned operations for the 2020 fiscal year and has on-going cash needs to meet its overhead requirements, maintain its exploration assets, and complete planned exploration activities. The generation of revenue form it exploration assets is dependent upon several factors, which include the discovery and/or expansion of mineral resources or reserves on each of its properties, the ability of the Company to obtain the necessary financing to advance exploration on these properties, the ability of the Company to make property, advance royalty, or claim maintenance payments to hold these properties, or the completion of transactions with third parties that generate revenue in the short and long term. The generation of revenue from equity financings is dependent upon several factors including the impact of Covid-19 on financial markets, the price of gold, and other impacts to financial markets that are beyond the control of the Company.

As at December 31, 2019, the Company had working capital deficit of $498,083 (December 31, 2018 working capital - $1,166,648) and an accumulated deficit of $53,726,683 (December 31, 2018 - $51,219,772) and expects to incur further loss in the development of its business. For the Company to continue to operate as a going concern it must obtain additional revenue; there can be no assurance that this will continue in the future. As a result, there is a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern and accordingly use accounting principles applicable to a going concern.

If the going concern assumption were not appropriate for these consolidated financial statements, adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the statement of financial position classifications used. Such adjustments could be material.

2. Basis of Preparation

a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements were authorized for issue by the Board of Directors on June 12, 2020.

b) Basis of Measurement

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, the consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

3. Summary of Significant Accounting Policies

a) Consolidation

These consolidated financial statements incorporate the financial statements of the Company and its wholly- owned subsidiaries:

- Golden Arrow Mining Corporation (formerly Idaho-Maryland Mining Corporation)
- Emgold (US) Corporation

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases. All significant intercompany transactions and balances have been eliminated.

b) Adoption of new accounting standards

<u>IFRS 16, Leases ("IFRS 16")</u>

In January 2016, the IASB issued IFRS 16, replacing IAS 17 - Leases. IFRS 16 provides a single lessee accounting model and requires the lessee to recognize assets and liabilities for all leases on its statement of financial position, providing the reader with greater transparency of an entity's lease obligations.

The Company elected to use the modified retrospective transition approach, which provides lessees a method for recording existing leases at adoption with no restatement of prior period financial information. Under this approach, a lease liability was recognized at January 1, 2019 in respect of leases previously classified as operating leases, measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at transition. The associated right-of-use assets were measured at amounts equal to the respective lease liabilities, subject to certain adjustments allowed under IFRS 16.

In addition, the Company elected to utilize practical expedients permitted under the transition guidance within the new standard, which among other things, allowed the Company to apply a single discount rate to a portfolio of leases with reasonably similar characteristics, and rely on its assessment as to whether leases are onerous applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review.

All leases are accounted for by recognizing a right-of-use asset and a lease liability except for:

• Leases of low value assets; and
• Leases with a duration of twelve months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

• Amounts expected to be payable under any residual value guarantee;
• The exercise price of any purchase option granted if it is reasonable certain to assess that option;

• Any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

• Lease payments made at or before commencement of the lease;
• Initial direct costs incurred; and
• The amount of any provision recognized where the Company is contractually required to dismantle, remove or restore the leased asset.

Lease liabilities, on initial measurement, increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made.

Right-of-use assets are amortized on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if this is judged to be shorter than the lease term.

When the Company revises its estimate of the term of any lease, it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases, an equivalent adjustment is made to the carrying value.

As of the initial adoption date of January 1, 2019, the Company does not have any leases that are required to be recognized as assets and liabilities.

IFRIC 23 Uncertainty over Income Tax Treatments

In June 2017, the IFRS Interpretation Committee issued IFRIC 23, which clarifies how the recognition and measurement requirements of IAS 12 Income Taxes are applied where there is uncertainty over income tax treatments. IFRIC 23 becomes effective for annual periods beginning on or after January 1, 2019 and is to be applied retrospectively with early adoption permitted. The adoption of this standard did not have material impact to the Company's consolidated financial statements.

c) Recent accounting pronouncements not yet effective

The following are accounting standards anticipated to be effective January 1, 2020 or later:

Amendments to IAS 1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.' The amendments to the definition of material are not expected to have a significant impact on the Company's consolidated financial statements.

d) Foreign Currencies

The financial statements of each entity in the group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These consolidated financial statements are presented in United States dollars ("$"), which is the Company and its subsidiaries' functional and presentation currency. References to CDN$ represent Canadian dollars.

Transactions entered into by the Company in a currency other than the functional currency are recorded at the rates ruling when the transactions occur except depreciation and depletion which are translated at the rates of exchange applicable to the related assets, with any gains or losses recognized in the Consolidated Statements of Comprehensive Income (Loss).

Foreign currency monetary assets and liabilities are translated at current rates on the reporting date with the resulting gain or losses recognized in the Consolidated Statements of Comprehensive Income (Loss). Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognized immediately in Consolidated Statements of Comprehensive Income (Loss). Non-monetary assets and liabilities are translated using historical exchange rates. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value is determined.

e) Cash

Cash consists of cash on hand and deposits in banks.

f) Marketable securities

Marketable securities consist of equity securities over which the Company does not have control or significant influence.

g) Asset held for sale

Assets that are immediately available for sale and for which a sale is highly probable are classified as assets held for sale. The net assets held for sale are measured at the lower of carrying amount and fair value less costs to sell. Depreciation ceases when assets are classified as held for sale. At each financial reporting date, the value of the assets and liabilities held for sale is reviewed to determine whether any provision adjustments should be recorded due to a change in their fair value less costs to sell.

h) Exploration and evaluation

The Company is currently in the exploration stage with all of its mineral interests. Exploration and evaluation costs include the costs of acquiring licenses, costs incurred to explore and evaluate properties, and the fair value, upon acquisition, of mineral properties acquired in a business combination or an asset acquisition.

Exploration and evaluation expenditures are expensed in the period they are incurred except for expenditures associated with the acquisition of exploration and evaluation assets through a business combination or an asset acquisition. Significant property acquisition costs are capitalized only to the extent that such costs can be directly attributed to an area of interest where it is considered likely to be recoverable by future exploitation or sale. Development costs relating to specific properties are capitalized once management has made a development decision.

From time to time, the Company may acquire or dispose of mineral interests pursuant to the terms of option agreements. As these options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded in the period that the payments are made or received. The Company does not accrue costs to maintain mineral interests in good standing.

i) Impairment of non-financial assets

The recoverability of exploration and evaluation assets is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral claims, the ability to option its resource properties, the ability to obtain the necessary financing to complete their development and future profitable production or obtain proceeds from the disposition thereof.

The Company performs impairment tests on exploration and evaluation assets when events or circumstances occur which indicate the assets may not be recoverable. Impairment assessments are carried out on a project by project basis with each project representing a single cash generating unit. When impairment indicators are identified, an impairment loss is recognized for any amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs of disposal and its value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Value in use is determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset in its present form and from its ultimate disposal. The Company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

j) Flow-through shares

Flow-through shares entitle a company that incurs certain resource expenditures in Canada to renounce them for tax purposes allowing the expenditures to be deducted for tax purposes by the investors who purchased the shares. While IFRS contains no specific guidance on accounting for flow-through shares, the Company has chosen to adopt the following accounting policy:

At the time of closing a financing involving flow-through shares, the Company allocates the gross proceeds received (i.e. the "flow-through commitment") as follows:

- Share capital – if warrants are being issued, based on the valuation derived using the residual method after fair value of warrants. If warrants are not being issued, the fair market price at the date of the issuance will be applied;
- Flow-through share premium – recorded as a liability and equal to the estimated premium, if any, investors pay for the flow-through feature, i.e. the portion of share capital in excess of the market value of the shares without the flow-through features at the time of issue; and
- Warrants – if warrants are being issued, the fair value of warrants will be based on the Black-Scholes option- pricing model.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period under the regular method. Under the "Look-back" rule, the proceeds that were received in the year and not spent by December 31 of the same year were renounced under the "Look-back" rule and need to be spent by December 31 of the following year.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the "Look-back" Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

k) Share based payments

The Company grants stock options to buy common shares of the Company to directors, officers and employees. The Board of Directors grants such options for periods of up to five years, with immediate vesting upon grant. The exercise prices equal to or greater than the closing market price on the day preceding the date the options were granted.

The fair value of the options is measured at grant date, using the Black-Scholes option pricing model, and is recognized in the period that the options are earned. The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as expense is adjusted to reflect the number of share options expected to vest. Forfeitures of stock options are accounted for as incurred.

Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received.

l) Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in the Consolidated Statements of Comprehensive Income (Loss) except to the extent it relates to items recognized in equity.

Current income tax

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred taxes are the taxes expected to be payable or recoverable on the difference between the carrying amounts of assets in the Consolidated Statement of Financial Position and their corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences between the carrying amounts of assets and their corresponding tax bases. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities:

- are generally recognized for all taxable temporary differences;
- are recognized for taxable temporary differences arising on investments in subsidiaries except where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future; and
- are not recognized on temporary differences that arise from goodwill which is not deductible for tax purposes.

Deferred tax assets:

- are recognized to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilized; and
- are reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of an asset to be recovered.

m) Earnings (loss) per share

Basic earnings (loss) per share are computed by dividing the net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting year. Diluted earnings per share is computed similar to basic earnings per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised if in the money and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

n) Comprehensive income (loss)

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that would not normally be included in net profit such as unrealized gains or losses on FVTOCI, gains or losses on certain derivative instruments and foreign currency gains or losses related to self-sustaining operations. The Company's comprehensive income (loss) is presented in the Consolidated Statements of Comprehensive Income (Loss) and the Consolidated Statements of Changes in Equity.

o) Warrant liability

As the exercise price of certain of the Company's share purchase warrants is fixed in Canadian Dollar, and the functional currency of the Company is the US Dollar, these warrants are considered a derivative as a variable amount of cash in the Company's functional currency will be received on exercise. Accordingly, these share purchase warrants are classified and accounted for as a derivative liability measured at FVTPL. The fair value of the warrants is remeasured at each reporting period end using the Black-Scholes option pricing model.

p) Provisions for restoration and rehabilitation

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of property, plant and equipment when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates is capitalized along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as mining assets.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the year.

The Company determined that it has no material restoration obligations at December 31, 2019 or 2018.

q) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity.

Share purchase warrants for a price not fixed in the Company's functional currency are classified as a derivative liability and measured at fair value with changes recognized in the consolidated statements of comprehensive income as they arise. The proceeds from the issuance of units consist of both of these share purchase warrants and common shares are allocated first to the fair value of the derivative liability on date of issuance with the residual amount to the common shares.

4. Critical accounting judgement and key sources estimation uncertainty

In the application of the Company's accounting policies management is required to make judgments, estimates and assumptions about the carrying amount and classification of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revisions affect only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

The following are the critical judgments and areas involving estimates, that management have made in the process of applying the Company's accounting policies and that have the most significant effect on the amount recognized in the consolidated financial statements.

a) Critical judgments in applying accounting policies

Going concern assumption

These consolidated financial statements have been prepared on the basis of the accounting principles applicable to a going concern, which assumes the Company's ability to continue in operation for the foreseeable future and to realize its assets and discharge its liabilities in the normal course of operations. There are several adverse conditions that cast substantial doubt upon the soundness of this assumption. Refer to note 1 for more details.

Determination of functional currency

In accordance with IAS 21, *The Effects of Changes in Foreign Exchange Rates*, management determined that the functional currency of the Company and its wholly owned subsidiaries is the US dollar. The assessment of the Company's functional currency and the functional currency of its subsidiaries involves judgment regarding the primary economic environment the Company and its subsidiaries operate in.

Exploration and evaluation assets

The Company makes certain judgements and assumptions regarding indicators of impairment and the recoverability of the carrying values of exploration and evaluation assets. Management has assessed for impairment indicators for the Company's properties and has concluded that no indicators of impairment as at December 31, 2019.

b) Key sources of estimation uncertainty

Share based payments and fair value of warrants

Management assesses the fair value of stock options granted in accordance with the accounting policy stated in note 3. The fair value of stock options granted is measured using the Black-Scholes option pricing model, which was created for use in estimating the fair value of freely tradable, fully transferable options. The following assumptions are used in the model: dividend yield; expected volatility; risk-free interest rate and expected option life.

Changes to assumptions used to determine the grant date fair value of share-based compensation awards can affect the amounts recognized in the consolidated financial statements.

The inputs used in the IFRS 16 accounting

The significant judgments, estimates, and assumptions made by management applied in the preparation of these consolidated financial statements, specifically as they relate to IFRS 16 Leases, primarily included evaluating the appropriate discount rate to use to discount the lease liability for each lease, as well as determining the lease term, when the lease contained an extension option, and assessing if the Company was reasonably certain that it would exercise the extension option. Significant judgments, estimates, and assumptions over both factors would affect the present value of the lease liabilities upon adoption of the new accounting standard, as well as the associated value of the right-of-use assets.

Fair value of warrants derivative

The Company has determined that its functional currency is the US dollar and has issued warrants with exercise price fixed in Canadian Dollar. The Company measures the cost of the warrants derivative by reference to the fair value on the grant date and revalues them at each reporting date. In determining the fair value of the warrants, the Company used the Black-Scholes option pricing model with the following assumptions: average volatility rate; market price at the reporting date; risk-free interest rate; the remaining expected life of the warrant and an exchange rate at the reporting date. The inputs used in the Black-Scholes model are taken from observable markets.

Changes to assumptions used can affect the amounts recognized in the consolidated financial statements.

Income taxes

Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.

5. Financial instruments and risk management

a) Classification

The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The following table shows the classifications:

Financial assets	Classification
Cash	Amortized cost
Marketable securities	FVTPL
Reclamation bonds	Amortized cost
Accounts receivable excludes goods and services tax	Amortized cost
Due from related parties	Amortized cost

Financial liabilities	Classification
Accounts payable and accrued liabilities	Amortized cost
Due to related parties	Amortized cost
Lease liability	Amortized cost
Warrant liability	FVTPL

Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the Consolidated Statements of Comprehensive Income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the Consolidated Statements of Comprehensive Income in the period in which they arise.

Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to twelve month expected credit losses. The Company shall recognize in the Consolidated Statements of Comprehensive Income, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

b) Fair values

Financial instruments of the Company carried on the Consolidated Statements of Financial Position are carried at amortized cost with the exception of marketable securities and warrant liabilities, which are carried at fair value. There are no significant differences between the carrying value of these financial instruments carried at amortized cost and their estimated fair values as at December 31, 2019 and 2018 due to the short term nature of the instruments.

Financial instruments recorded at fair value on the Consolidated Statements of Financial Position are classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels in the hierarchy are:

- Level 1 – quoted prices in active markets for identical financial instruments.
- Level 2 – quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
- Level 3 – valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

The Company's marketable securities were considered to be classified as Level 1 and warrant liabilities were classified as Level 3. There have been no changes between levels during the year.

c) Market risk

Market risk is the risk that changes in market prices will affect the Company's earnings or the value of its financial instruments. Market risk is comprised of commodity price risk and interest rate risk. The objective of market risk management is to manage and control exposures within acceptable limits, while maximizing returns. The Company's marketable securities is exposed to market risk in trading its investments and unfavourable market conditions could result in dispositions of investments at less than favourable prices.

d) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its bank accounts and share subscription receivable (Note 6). The Company's bank accounts are held with major banks in Canada, accordingly the Company believes it is not exposed to significant credit risk. Share subscription receivable was owed by subscribers to the Company's private placements. Credit risk related to share subscription receivable was assessed as low.

e) Interest rate risk

Interest rate risk is the risk of losses that arise as a result of changes in contracted interest rates. The Company is nominally exposed to interest rate risk.

f) Foreign exchange risk

The functional currency of the Company and its subsidiaries is US dollar. Most of the foreign exchange risk is related to Canadian dollar denominated financial instruments held by the Company.

The Company does not hedge its exposure to currency fluctuations. To manage this risk, the Company maintains only the budget amount of foreign cash required to fund its near-term exploration expenditures.

The US dollars equivalent balances denominated in Canadian dollars at December 31, 2019 and 2018 are as follows:

Rounded (000's)	December 31, 2019	December 31, 2018
Cash	$ 133,000	$ 161,000
Marketable securities	516,000	2,062,000
Accounts receivable excludes sales taxes receivable	17,000	16,300
Due from related parties	15,000	–
Accounts payable and accrued liabilities	(505,000)	(272,000)
Due to related parties	(3,000)	(101,000)
Lease liability	(47,000)	–
Warrant liabilities	(443,000)	(372,000)
	$ (317,000)	$ 1,494,300

Based on the net exposure at December 31, 2019 and 2018, a 5% depreciation or appreciation in Canadian dollar against US dollar would result in a gain or loss of $21,000.

g) Commodity price risk

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for minerals are impacted by world economic events that dictate the levels of supply and demand as well as the relationship between the Canadian and United States dollar, as outlined above. As the Company has not yet developed commercial mineral interests, it is not exposed to commodity price risk at this time.

In US Dollars, unless otherwise stated

6. Accounts receivable

The Company's receivables arise from subscription receivable (note 11(b)), other receivable and goods and services tax from government taxation authority as follows:

	December 31, 2019	December 31, 2018
Goods and services tax	**$ 124,620**	$ 32,408
Share subscription receivable	**17,130**	16,310
Other receivable	**1,776**	2,376
	$ 143,526	$ 51,094

7. Marketable securities

As at December 31, 2019, the fair value of its current holdings was $516,168 (December 31, 2018 - $2,061,648) and the negative change of fair value adjustment of $360,646 for the year ended December 31, 2019 (December 31, 2018 – positive change of fair value adjustment of $384,841).

8. Assets held for sale

Emgold has a 7.13 acre parcel of land located in Nevada County that was part of the Company's former Idaho- Maryland Project that was sold at the auction on January 26, 2019 for $56,000. The disposition of this property resulted in $56,000 sale proceeds which was applied to settle $163,956 liability for property taxes including penalty and interest, resulting in a gain of $9,504.

Balance at December 31, 2018	**$ 154,452**
Rozan and Stewart BC Properties sold in fiscal 2020	**2**
Disposition	**(154,452)**
Balance at December 31, 2019	**$ 2**

Also see note 18(d).

In US Dollars, unless otherwise stated

9. Exploration and evaluation assets

Property acquisition costs	Casa South, QC	East West, QC	Troilus North, QC	BC Claims	New York Canyon, NV	Mindora, NV	Golden Arrow, NV	Buckskin Rawhide - East, NV	Buckskin Rawhide - West, NV	Koegel Property, NV	Total
Balance as at December 31, 2017	**$ –**	**$ –**	**$ –**	**$ 2**	**$ –**	**$ –**	**$ –**	**$ 324,052**	**$ 110,029**	**$ 110,030**	**$ 544,113**
Acquisition Costs	–	–	742,996	–	–	–	537,870	–	30,000	30,000	1,340,866
Disposition	–	–	(742,996)	–	–	–	–	–	–	–	(742,996)
(Royalty payment received)	–	–	–	–	–	–	–	(10,000)	–	–	(10,000)
Balance as at December 31, 2018	**$ –**	**$ –**	**$ –**	**$ 2**	**$ –**	**$ –**	**$ 537,870**	**$ 314,052**	**$ 140,029**	**$ 140,030**	**$ 1,131,983**
Acquisition Costs	501,124	57,746	56,440	–	283,957	50,000	50,000	–	–	–	999,267
(Royalty payment received)	–	–	–	–	–	–	–	(10,000)	–	–	(10,000)
(Asset held for sale)	–	–	–	(2)	–	–	–	–	–	–	(2)
Balance as at December 31, 2019	**$ 501,124**	**$ 57,746**	**$ 56,440**	**$ –**	**$ 283,957**	**$ 50,000**	**$ 587,870**	**$ 304,052**	**$ 140,029**	**$ 140,030**	**$ 2,121,248**

In US Dollars, unless otherwise stated

Exploration & Evaluation Expenditure	Casa South, QC	East West, QC	Troilus North, QC	Other Prospects	New York Canyon, NV	Mindora, NV	Golden Arrow, NV	Buckskin Rawhide - East, NV	Buckskin Rawhide - West, NV	Koegel Property, NV	Total
Balance as at December 31, 2017	**$ –**	**$ –**	**$ –**	**$ 29,016**	**$ –**	**$ –**	**$ –**	**$ 3,515**	**$ 6,024**	**$ –**	**$ 38,555**
Claims Fee	–	–	–	–	–	–	59,639	–	3,725	5,580	68,944
Carrying Costs	–	–	–	12,364	–	–	88,628	–	–	–	100,992
General property search	–	–	315,600	70,151	–	–	–	–	–	–	385,751
Balance as at December 31, 2018	**$ –**	**$ –**	**$ 315,600**	**$ 111,531**	**$ –**	**$ –**	**$ 148,267**	**$ 3,515**	**$ 9,749**	**$ 5,580**	**$ 594,242**
Claims Fee	3,366	–	–	690	61,034	519	67,831	–	–	6,382	139,822
Carrying Costs	–	–	–	2,381	384	–	150,463	–	3,727	–	156,955
General property search	645,581	3,768	23,544	92,124	25,947	12,897	32,949	420	–	–	837,230
Balance as at December 31, 2019	**$ 648,947**	**$ 3,768**	**$ 339,144**	**$ 206,726**	**$ 87,365**	**$ 13,416**	**$ 399,510**	**$ 3,935**	**$ 13,476**	**$ 11,962**	**$ 1,728,249**

a) Golden Arrow Property, Nevada

The Company has a 100% interest in the Golden Arrow Property, an advanced stage exploration property, totaling 357 unpatented lode mining claims and 17 patented lode mining claims totaling 7,050 acres. A total of 166 unpatented mining claims are owned and a total of 191 unpatented mining claims are leased.

On October 9, 2018, Emgold completed the acquisition of the 51% interest in the property and also exercised its option to earn 100% interest after completing the $100,000 in aggregate cash payments and issuing Nevada Sunrise a total of 5.0 million common shares of Emgold.

Six unpatented claims are subject to and advance royalty payment of $25,000 per year and a 3% NSR upon production (2% can be purchased for $200,000). 351 unpatented mining claims are subject to a $25,000 per year advance royalty payment and a 3% NSR upon production, of which 1% can be purchased for $1 million. Seventeen patented mining claims are subject to a 1% NSR. Emgold has completed transferring the title and rights to all mineral claims and all reclamation bonds into Emgold's subsidiaries name, Golden Arrow Mining Corporation.

b) Casa South Property, Quebec

The Company has a 100% interest in the Casa South Property, an early stage exploration property consisting of 180 mining titles covering a total of 10,061 hectares. It is adjacent to Hecla Mining Corporation's (NYSE: HL) operating Casa Berardi Mine.

On July 29, 2019, the Company completed the 100% acquisition of the Casa South Property and the property was transferred into Emgold's name.

Cash and shares payments to the Vendors for the 100% acquisition of Casa South Property

On March 20, 2019, the Company closed the acquisition of the option to acquire up to a 91% interest in the property by obtaining final Exchange approval, by completing the first option payment of $75,000 to the Vendors, and making the share payment required under the Amended Assignment Agreement to the Assignor.

On March 19, 2019, the Company issued 807,692 common shares for settling CDN $52,500 finder's fee related to the acquisition of the mineral claims of Casa South, Quebec (see note 11(b)).

On July 29, 2019, the Company issued 4,000,000 units to the vendors of Casa South Property, Quebec whereby each unit consists of one common share and one half share purchase warrant exercisable at CDN$0.25/unit with a 2-year expiry term (see note 11(b)).

On October 15, 2019, the Company paid CDN$49,500 advisory fee related to the acquisition of the Casa South Property.

Subsequent to December 31, 2019, on February 5, 2020, Emgold announced that it expanded its Casa South Property, QC with the addition of 24 mineral claims totaling approximately 1,320 ha (3,260 ac). In addition, 19 claims expired on February 2020. The total size of the Property is now 185 claims totaling 11,400 ha (28,170 ac)(see note 18(e)).

c) New York Canyon Property, Nevada

On July 8, 2019, the Company completed a Claim Purchase Agreement with Searchlight Resources Inc. (TSXV: SCLT) giving it the option to acquire a 100% interest the New York Canyon Property, subject to underlying royalties. The property includes 21 patented mineral claims and 60 unpatented mining claims totalling about 1,500 acres. Sixty unpatented claims are subject to a 2% NSR, 1% which can be purchased for $1 million. Eighteen patented claims are subject to a 1.75% NSR royalty capped at $2 million and a $0.50 per metric tonne royalty for decorative stone shipped or sold from the property capped at $0.5 million.

On November 15, 2019, the Company staked 92 additional claims, expanding the size of its recently optioned New York Canyon Property. Emgold now controls 152 unpatented and 21 patented mineral claims located in the Santa Fe Mining District, Mineral County, in west-central Nevada.As at December 31, 2019, the Company completed the CDN$50,000 payment due at closing of the transaction, and issued 2,941,176 common shares to Searchlight Resources Inc. (see note 11(b)).

As at December 31, 2019, the remaining commitment for completing the 100% interest acquisition includes three payments of C$100,000 each. Pursuant to the Claim Purchase Agreement, the Company had the option of accelerating the acquisition. If the outstanding payments (3 x CDN$100,000) were made on or before the 6 month anniversary of the closing of the Transaction, the Company would be entitled to a 25% discount on the outstanding balance, reducing the amount of the payment due to CDN$225,000.

Subsequent to the year-end December 31, 2019, the Company and Kennecott Exploration Company entered into the Earn-In with Option to Joint Venture Agreement on February 7, 2020 (Refer to note 18(c)). Under the terms the Earn-In with Option to Joint Venture Agreement between Kennecott and the Company (outlined in note 18(c)), Kennecott elected to pay this discounted payment to Searchlight Resources Inc., on the Company's behalf, as part of its expenditures under the First Option. On March 19, 2020, the Company completed the 100% interest acquisition from Searchlight Resources Inc.

d) East West Property, Quebec

On December 6, 2019, Emgold has signed a Claim Purchase and Option Agreement giving the Company the option (the "First Option") to acquire up to a 50% interest in the East-West Property, Quebec (the "Property") from a private individual (the "Vendor"). The remaining 50% interest in the Property is owned by Knick Exploration Inc. ("Knick") (TSXV: KNX). Emgold has also acquired a second option (the "Second Option") to increase its ownership in the Property to 55%, as outlined below.

On the closing date, the Vendor will grant to Emgold the First Option to acquire 50% ownership and title to the claims comprising the Property and all rights under pursuant to a sale agreement between the Vendor and Knick dated November 27, 2018, as amended on November 29, 2019 (together, the "Sale Agreement"). In exchange, Emgold shall pay the Vendor:

- 4,000,000 common shares in the share capital of Emgold (the "Share Consideration"), to be issued to the Vendor at the Closing Date;
- a cash payment of CAD$35,000 to be paid to the Vendor upon the three month anniversary of the Closing Date;
- a cash payment of CAD$50,000 to be paid to the Vendor upon the six month anniversary of the Closing Date; and
- a cash payment of CAD$50,000 to be paid to the Vendor upon the nine month anniversary of the Closing Date.

Upon completion of the share and cash payments, the Vendor's Property interest in the claims will be transferred to Emgold. Emgold will assume the Second Option to earn an additional 5% (total 55%) interest in the Property by completing, along with expenditures already completed by the Vendor, a total of CAD$200,000 in expenditures within three years of the original Sale Agreement between the Vendor and Knick dated November 27, 2018. Emgold will have the right and plans to become the operator of the Property during the First Option Period and potentially the Second Option. Upon completing the First or Second Option, at Emgold's discretion, an industry standard joint venture will be formed with Knick with Emgold as the operator.

Subsequent to the year-end, the Company issued 4,000,000 common shares on January 3, 2020 and paid CDN$35,000 on May 5, 2020 related to the acquisition of East West Property (see note 18(f)).

e) Mindora Property, Nevada

On June 15, 2019, Emgold and Nevada Sunrise LLC ("Nevada Sunrise") entered into a claim purchase agreement for the purchase of 12 unpatented mining claims ("Mindora Claims of Nevada Sunrise") owned by Nevada Sunrise:

Emgold would pay Nevada Sunrise:

- $50,000 upon on closing date;
- $25,000 per year, for four years, with each payment due on subsequent anniversary dates of the signing date on June 15, 2019; and
- Total purchase price of $150,000.

On December 23, 2019, Emgold and Nevada Sunrise amended the payment term as follow:

- $25,000 due on or before December 31, 2019 (paid);
- $25,000 due on or before February 29, 2020 (paid); and
- $25,000 per year, for four years, with each payments due on subsequent anniversary dates of the signing date on June 15, 2019

On June 15, 2019, Emgold and BL Exploration LLC ("BL") entered into a claim purchase agreement for the purchase of 18 unpatented mining claims ("Mindora Extension Property") owned by BL:

Emgold would pay BL:

- Cash payment of $50,000 for the total purchase price upon closing date;
- Grant of $20,000 Advance Minimum Royalty ("AMR") per year and a 2% Net Smelter Royalty ("NSR") on the Mindora Extension Property; Any AMR shall be credited against future NSR payments. The AMR shall be due on each anniversary of the closing date on June 15, 2019; and
- Emgold would retain a first option to acquire half of the 2% NSR by making a payment of $200,000 on or before the 5th anniversary of the Closing Date. AMR remains at $20,000 per year.

If Emgold does not exercise the first option described above, Emgold would still retain a second option to acquire half of the 2% NSR by making a payment of $500,000 after the 5th anniversary and before the 9th anniversary of the Closing Date. AMR remains at $20,000 per year;

On December 23, 2019, Emgold and BL amended the payment term as follow:

- $25,000 due on or before December 31, 2019 (paid);
- $25,000 due on or before February 29, 2020 (paid); and
- No change to the AMR and NSR terms included in the original claim purchase agreement entered on June 15, 2019.

f) Buckskin Rawhide East Property, Nevada

The Company has a 100% interest in the 48 unpatented mineral claims, totalling 960 acres, making up Buckskin Rawhide East Property. The claims are inlying claims to Rawhide Mining LLC's ("RMC") operating Rawhide Mien.

The Buckskin Rawhide Property is leased to RMC, owners of the Rawhide Mine, under the following terms:

1. The Lease Term is 20 years (start date of 01 June 2013)
2. Advance royalty payments will be $10,000 per year, paid by RMC to Emgold, with the first payment due at signing and subsequent payments due on the anniversary of the Lease Agreement.
3. During the Lease Term, RMC will make all underlying claim fees to keep the claims in good standing.
4. RMC will conduct a minimum of US$250,000 in exploration activities by the end of Year 1.
5. RMC will conduct an additional minimum of US$250,000 in exploration activities by the end of Year 3, for a total of US$500,000 in exploration activities by the end of Year 3.
6. RMC will have the option of earning a 100% interest in the property by bringing it into commercial production.
7. Upon bringing the property into commercial production, RMC will make "Bonus Payments" to Emgold. Bonus Payments will be US$15 per ounce of gold when the price of gold ranges between US$1,200 per ounce and US$1,799 per ounce. If the price of gold exceeds US$1,800 per ounce, the Bonus Payment will increase to US$20 per ounce.
8. After meeting its exploration requirements, should RMC subsequently elect to drop the property of decide not to advance it, the property will be returned to Emgold. Should Emgold subsequently advance the property into production, RMC shall then be entitled to the same type of Bonus Payments as contemplated in 7 above.

Under the terms of the lease agreement, RMC was to complete $500,000 in exploration related expenditures on the property by the third anniversary or June 1, 2016. However, as at June 1, 2016, RMC had completed only US$325,000 in exploration activities on the property.

On June 1, 2016, RMC and Emgold mutually agreed to amend the original Lease Agreement whereby RMC would pay Emgold US$175,000, in seven quarterly payments of US$25,000, starting June 1, 2016, to keep the Lease Agreement in good standing. These payments were in lieu of completing the additional US$175,000 in exploration work required in the original Lease Agreement.

Emgold received the $10,000 annual advance royalty payment for the Buckskin Rawhide Property from RMC during the year ended December 31, 2019 (2018 - $10,000).

g) Buckskin Rawhide West Property, Nevada

The Company has a 100% interest acquisition in the Buckskin Rawhide West Property. On February 2013, the Company entered a Lease and Option to Purchase Agreement with Jeremy C. Wire to acquire the PC and RH mineral claims, located 0.3 miles west of Emgold's Buckskin Rawhide Property. Pursuant to the lease agreement, advance royalty payments or equivalent aggregate value in common shares having an equivalent market value were paid/issued to Jeremy C. Cash payment of$5,000 was paid and common shares of $5,000 was issued in 2012. Common shares of $10,000 were issued each year during 2013, and 2014, $20,000 in year 2015, and $30,000 each year in 2016, 2017, and 2018 (total $140,000) completed the acquisition of the property. The property is subject to a 2% Net Smelter Royalty, which can be purchased at any time for $1.0 million.

h) Koegel Rawhide, Nevada

Emgold has a 100% interest in the Koegel Rawhide Property. The property consists of the RHT and GEL claims, 19 unpatented lode mining claims totalling 380 acres, acquired from Jeremy C. Wire. In addition, Emgold staked 17 additional unpatented lode claims totalling 340 acres. In total, the 36 unpatented lode claims totalling 720 acres make up the Property.

In February 2012, the Company entered a Lease and Option to Purchase Agreement with Jeremy C. Wire to acquire the RHT and GEL claims, located four miles south of the Rawhide Mine in Mineral County, Nevada. Pursuant to the lease agreement, advance royalty payments or equivalent aggregate value in common shares having an equivalent market value were paid/issued to Jeremy C. Cash payment of$5,000 was paid and common shares of $5,000 was issued in 2012. Common shares of $10,000 were issued each year during 2013, and 2014, $20,000 in year 2015, and $30,000 each year in 2016, 2017, and 2018 (total $140,000) completed the acquisition of the property. The property is subject to a 2% Net Smelter royalty, which can be purchased at any time for $1.0 million.

i) Stewart Property, British Columbia

At December 31, 2019, the Company held a 100% interest in the Stewart mineral claims, near Ymir British Columbia, totalling 5,789 hectares and consisting of 28 mineral claims acquired from prospectors Jack and Eric Denny.

The property is subject to a 3% underlying NSR. The Company retains the right to purchase 2% of the underlying NSR by making a CDN$1.0 million payment to the underlying royalty holder.

The property is held through completed assessment work to January 2023 without additional assessment work being required. The property has been impaired to $1 during the year ended December 31, 2015.

On February 25, 2020, the Company sold its Stewart mineral claims to Ximen Mining Corporation (Refer to “Ximen Sale” in note 18(d)).

j) Rozan Property, British Columbia

At December 31, 2019, the Company held a 100% interest in the Rozan mineral claims, near Ymir British Columbia, totalling 1,950 hectares and consisting 32 mineral claims acquired from prospectors Jack and Eric Denny.

The property is subject to a 3% underlying NSR. Emgold retains the right to purchase 2% of the underlying NSR by making a CDN$1.0 million payment to the underlying royalty holder.

The property is held through completed assessment work to March 2023 without additional assessment work being required. The property has been impaired to $1 during the year ended December 31, 2015.

On February 25, 2020, the Company sold its Rozan mineral claims to Ximen Mining Corporation (Refer to “Ximen Sale” in note 18(d)).

k) Troilus North Royalty Interest, Quebec

In December 2018, Troilus Gold acquired Troilus North interest from the Company for CDN$250,000 in cash and 3.75 million Troilus Gold common shares. Two underlying royalties remained on the property (the “Troilus North Royalties”), including a 1% NSR granted to CAT Strategic Metals (formerly Chimata Gold Corporation) (CSE: CAT) (“CAT”).

On December 9, 2019, the Company and CAT completed the assignment agreement whereby CAT assigned its rights in the Troilus North Royalties to the Company for a cash payment of CDN$75,000 (paid). Troilus Gold retains first option to acquire this 0.5% of this royalty for a cash payment of CDN$500,000 and a second option to acquire the remaining 0.5% of this royalty for an additional cash payment of CDN$500,000.

On April 29, 2020, the above assignment transaction had been approved by TSX Venture Exchange.

In US Dollars, unless otherwise stated

10. Related party transactions

Related party transactions and balances not disclosed elsewhere in the consolidated financial statements are as follows:

Name and Principal Position	Period(i)		Remuneration or fees(ii)
	2019	**$**	**120,000**
David Watkinson, CEO and President – salary	2018	$	121,250
	2019	**$**	**78,000**
David Watkinson, CEO and President – benefits and allowance	2018	$	24,000
	2019	**$**	**44,232**
David Watkinson, CEO and President – Share-based compensation	2018	$	38,112
	2019	**$**	**120,000**
Robert Rosner, CFO and director – management fees	2018	$	60,000
	2019	**$**	**18,957**
Robert Rosner, CFO and director – Share-based compensation	2018	$	15,245
	2019	**$**	**–**
Andrew MacRitchie, Director – Director fees	2018	$	32,266
	2019	**$**	**9,478**
Andrew MacRitchie, Director – Share-based compensation	2018	$	15,245
	2019	**$**	**9,478**
Vincent Garibaldi, Director – Share-based compensation	2018	$	15,245
	2019	**$**	**28,663**
Steve Cozine, Corporate Secretary – Consulting fees	2018	$	–
	2019	**$**	**3,159**
Steve Cozine, Corporate Secretary – Share-based compensation	2018	$	–
	2019	**$**	**4,909**
Lisa Maxwell, Former Corporate Secretary – Consulting fees	2018	$	13,894
	2019	**$**	**–**
Lisa Maxwell, Former Corporate Secretary – Share-based compensation	2018	$	5,082
	2019	**$**	**–**
Former Director – salary	2018	$	30,871
	2019	**$**	**–**
Clearline CPA, A company of which the ex-CFO is a director – management fees	2018	$	28,941
	2019	**$**	**–**
Clearline CPA, A company of which the ex-CFO is a director – bookkeeping	2018	$	8,981

(i) For the years ended December 31, 2019 and 2018.

(ii) Amounts disclosed were paid or accrued to the related party.

The following table reports amounts included in due to (from) related parties.

In US Dollars, unless otherwise stated

	December 31, 2019		December 31, 2018	
David Watkinson, the CEO	**$**	**414,589**	$	330,262
Robert Rosner, the CFO		**(15,945)**		20,000
A company affiliated to CFO and Corporate Secretary		**(20,737)**		–
Clearline CPA, ex-CFO		**–**		76,123
Sequoia Corporate Service, Former Corporate Secretary		**–**		9,838
Bill Witte, ex-Director (a)		**–**		4,911
Steve Cozine, Corporat Secretary		**(2,793)**		–
	$	**375,114**	$	441,134

(a) As at December 31, 2019, the Company owed an ex-director $5,659 related to CDN$5,000 loan which bears an interest at 1% per month and are repayable on demand. The balance is included in accounts payable and accrued liabilities.

All related party balances are measured at their exchange amount, which is the amount of consideration established and agreed to by the related parties. Amounts due to related parties are unsecured, non-interest bearing and due on demand.

11. Share capital

a) Authorized

Unlimited - Number of common shares without par value. Unlimited - Number of preference shares without par value.

b) Common shares, issued and fully paid

<u>During the year ended December 31, 2019:</u>

On March 8, 2019, the Company completed the first tranche of a non-flow-through private placement with an issuance of 5,447,900 units at CDN$0.12/unit. Each unit consists of one common share and one share purchase warrants exercisable at CDN$0.17/unit with a 2-year expiry term.

On March 19, 2019, the Company issued 807,692 common shares for settling CDN $52,500 finder's fee related to the acquisition of the mineral claims of Casa South, Quebec (Note 9 (b)).

On March 28, 2019, the Company completed the second tranche of a non-flow-through private placement with an issuance of 650,000 units at CDN$0.12/unit. Each unit consists of one common share and one share purchase warrants exercisable at CDN$0.17/unit with a 2-year expiry term. Finders' fees of CDN$6,240 were paid in cash and 52,000 share purchase warrants were issued to finders of this financing.

On April 5, 2019, the Company completed the first tranche of a flow-through private placement with an issuance of 1,275,000 units at CDN$0.20/unit. Each unit consists of one common share and one half share purchase warrant exercisable at CDN$0.25/unit with a 1-year expiry term. In addition, finders' fee of CDN$16,000 were paid in cash and 80,000 share purchase warrants were issued to finders of this financing.

On April 26, 2019, the Company completed the third tranche of a non-flow-through private placement with an issuance of 1,808,817 units at CDN$0.12/unit. Each unit consists of one common share and one share purchase warrants exercisable at CDN$0.17/unit with a 2-year expiry term. In addition, a finder's fee of CDN$10,728 was paid in cash and 98,800 share purchase warrants were issued to finders of this financing.

On May 10, 2019, the Company completed the second tranche of a flow-through private placement with an issuance of 1,552,500 units at CDN$0.20/unit. Each unit consists of one common share and one half share purchase warrant exercisable at CDN$0.25/unit with a 1-year expiry term. In addition, finder's fee of CDN$23,440 were paid in cash and 92,200 share purchase warrants were issued to finders of this financing.

On July 29, 2019, the Company issued 4,000,000 units to the vendors of Casa South Property, Quebec whereby each unit consists of one common share and one half share purchase warrant exercisable at CDN$0.25/unit with a 2-year expiry term.

On July 29, 2019, the Company issued 2,941,176 common shares to the vendor of New York Canyon Property, Nevada for acquiring the mineral property interest.

On December 17, 2019, the Company completed a non-brokered flow-through private placement with an issuance of 3,333,333 shares at CDN$0.105 per share. Finders' fees of CDN$28,000 were paid in cash and 266,667 share purchase warrants were issued to finders of this financing. Each warrant is exercisable at CDN$0.15 with a 1-year expiry term.

On December 19, 2019, the Company completed a non-brokered private placement consisting of 5,066,668 units at CDN$0.06/unit. Each unit consists of one common share and one share purchase warrant exercisable at CDN$0.08/unit with a 2-year expiry term.

As at December 31, 2019, CDN$22,250 (December 31, 2018 – CDN$22,250) share subscription receivable remained outstanding (note 6) of which CDN$5,000 was collected subsequent to the year end.

During the year ended December 31, 2018:

On March 15, 2018, the Company issued 428,572 common shares as advance royalty payment for its mineral property options.

On June 27, 2018, the Company issued 2,000,000 common shares as earn-in option payment for Troilus North Property pursuant to the term of the First Option Agreement for Troilus North.

On June 27, 2018, the Company completed the first tranche of a flow-through private placement with an issuance of 1,128,333 units at C$ 0.15/unit. Each unit consists of one common share and one half of the share purchase warrants. In addition, 48,917 common shares were issued to the finder of this financing. As at June 30, 2018, $121,116 or C$159,059 subscription proceeds were held in trust with the lawyer of the Company.

On July 10, 2018, the Company completed the second tranche of a flow-through private placement with an issuance of 2,886,931 units at C$0.15/unit. Each unit consists of one common share and one half of the share purchase warrants. In addition, 61,847 common shares and 61,847 share purchase warrants were issued to the finder of this financing.

On August 10, 2018, the Company completed the first tranche of a non-flow-through private placement with an issuance of 2,584,999 units at C$0.12/unit. Each unit consists of one common share and one share purchase warrants. In addition, 10,500 common shares were issued to the finder of this financing.

On August 15, 2018, the Company completed the third tranche of a flow-through private placement with an issuance of 553,500 units at C$0.15/unit. Each unit consists of one common share and one half of the share purchase warrants. In addition, 10,000 common shares and 38,280 share purchase warrants were issued to two finders of this financing.

On August 28, 2018, the Company completed the second tranche of a non-flow-through private placement with an issuance of 3,100,000 units at C$0.12/unit. Each unit consists of one common share and one share purchase warrants.

On August 31, 2018, the Company completed the fourth tranche of a flow-through private placement with an issuance of 280,000 units at C$0.15/unit. Each unit consists of one common share and one half of the share purchase warrants. In addition, 4,000 common shares and 4,000 share purchase warrants were issued to the finder of this financing.

In US Dollars, unless otherwise stated

On October 4, 2018, the Company completed the first tranche of a non-flow-through private placement with an issuance of 900,000 units at C$0.12/unit. Each unit consists of one common share and one share purchase warrants.

On October 9, 2018, the Company issued 5,000,000 common shares related to the acquisition of 100% of the mineral claims of Gold Arrow property (note 9(a)).

On November 14, 2018, the Company issued 4,000,000 common shares as the remaining consideration for acquiring 100% of the Troilus North Property (note 9(e)).

On December 20, 2018, the Company completed the first tranche of a flow-through private placement with an issuance of 4,424,615 units at C$0.13/unit. Each unit consists of one common share and one half of the share purchase warrants. In addition, 123,200 share purchase warrants were issued to the finder of this financing.

As at December 31, 2018, $16,310 or C$22,250 subscription receivable was outstanding related to the two closed tranches during the quarter ended September 30, 2018.

c) Stock options

The Company has a rolling stock option plan for its directors and employees to acquire common shares of the Company at a price determined by the fair market value of the shares at the date of grant. The maximum aggregate number of common shares reserved for issuance pursuant to the plan is 10% of the issued and outstanding common shares.

Stock option activities during the years ended December 31, 2019 and 2018 are summarized as follows:

STOCK OPTION ACTIVITY	December 31, 2019		Weighted average exercise price (CDN$)	December 31, 2018		Weighted average exercise price (CDN$)
Options Outstanding and Exercisable						
Balance – beginning of year	**3,000,000**	**$**	**0.15**	265,000	$	1.00
Granted	**1,550,000**		**0.20**	3,000,000		0.15
Cancelled	**(925,000)**		**(0.18)**	–		–
Balance – end of year	**3,625,000**	**$**	**0.16**	3,000,000	$	0.15

Details of stock options outstanding as at December 31, 2019 are as follows:

Expiry Date	Exercise Price (CDN$)	December 31, 2019
November 19, 2023	$0.15	**2,600,000**
May 17, 2024	$0.20	**1,025,000**
		3,625,000

On May 15, 2019, the Company granted 1,550,000 to directors, officers, employees, and consultants of the Company on which 525,000 were cancelled. The Options were vested immediately and exercisable at a price of CDN$0.20 per common share for a period of 5 years from the date of grant.

On November 19, 2018, the Company granted 3,000,000 to directors, officers, employees, and consultants of the Company. The Options were vested immediately and exercisable at a price of CDN$0.15 per common share for a period of 5 years from the date of grant. 400,000 options were cancelled during the year ended December 31, 2019.

Share-based compensation relating to options granted and vested during the year ended December 31, 2019 using the Black-Scholes option pricing model was $132,812 (2018 - $152,446), which was recorded as reserves on the consolidated statements of financial position and as share-based compensation expense on the consolidated statement of comprehensive income (loss). The associated share-based compensation expense for the options granted during the year was calculated based on the following weighted average assumptions: Risk free-interest rate – 1.57%; Dividend yield – 0.00%; Expected volatility – 193.0%; Expected life – 5.00 years

d) Warrants

Share purchase warrants activity during the years ended December 31, 2019 and 2018 are summarized as follows:

SHARE PURCHASE WARRANT ACTIVITY	December 31, 2019		Weighted average exercise price (CDN$)	December 31, 2018		Weighted average exercise price (CDN$)
Warrants Outstanding and Exercisable						
Balance – beginning of year	**11,508,431**	**$**	**0.20**	–	$	–
Granted	**16,976,802**		**0.10**	11,508,431		0.20
Balance – end of year	**28,485,233**	**$**	**0.18**	11,508,431	$	0.20

Details of share purchase warrants outstanding as at December 31, 2019 are as follows:

Expiry Date	Exercise Price (CDN$)	December 31, 2019	December 31, 2018
December 19, 2021	$0.08	**5,066,668**	–
July 17, 2021	$0.25	**2,000,000**	–
April 26, 2021	$0.17	**1,907,617**	–
April 5, 2021	$0.20	**80,000**	–
March 28, 2021	$0.17	**702,000**	–
March 8, 2021	$0.17	**5,447,900**	–
December 31, 2020	$0.25	**123,200**	123,200
December 20, 2020	$0.25	**2,212,308**	2,212,308
December 17, 2020	$0.15	**266,667**	–
October 4, 2020	$0.17	**900,000**	900,000
August 31, 2020	$0.25	**144,000**	144,000
August 28, 2020	$0.17	**3,100,000**	3,100,000
August 15, 2020	$0.25	**315,030**	315,030
August 10, 2020	$0.17	**2,595,499**	2,595,499
August 10, 2020	$0.25	**61,847**	61,847
July 10, 2020	$0.25	**1,443,464**	1,443,464
June 27, 2020	$0.25	**613,083**	613,083
May 10, 2020	$0.25	**868,450**	–
April 5, 2020	$0.25	**637,500**	–
		28,485,233	11,508,431

Movement related to the warrant liability resulted from the private placement subscribers' warrants (finders warrants are excluded from derivative liability calculation), for warrants priced in Canadian dollars, is as follows:

WARRANT LIABILITY (WARRANTS PRICED IN CANADIAN DOLLARS)	December 31, 2019			December 31, 2018		
	Number of Warrants		Fair Value	Number of Warrants		Fair Value
Balance – beginning of year	**11,221,687**	**$**	**371,646**	–	$	–
Issued	**14,387,135**		**376,442**	11,221,687		780,919
Fair value adjustments	**–**		**(304,600)**	–		(409,273)
Balance – end of year	**25,608,822**	**$**	**443,488**	11,221,687	$	371,646

During the year ended December 31, 2019, the Company recorded a warrant liability in the amount of $376,442 (2018 - $780,919). The warrants were valued on the date of grant using the Black-Scholes option pricing model, with the following assumptions: weighted average risk free rate of 1.49% to 1.77%, volatility factors of 132% to 160% and an expected life of 12 to 24 months.

The warrants were subsequently re-valued on the Company's reporting dates using the Black-Scholes option pricing model, with the following assumptions: weighted average risk free rate of 1.71%, volatility factors of 118% - 153% and an expected life of 4 months – 24 months. A fair value adjustments of warrant liability of $304,600 has been recorded for the year ended December 31, 2019 (2018 - $409,273). As at December 31, 2019, the Company recorded a warrant liability in the amount of $443,488 (2018 - $371,646).

12. Flow-through shares premium liability

A summary of the changes in the Company's flow-through share premium liability was as follows:

Flow-through Share Premium Liability	December 31, 2019		December 31, 2018	
Balance - beginning of the year	**$**	**21,631**	$	–
Issuance		**88,652**		21,631
Settlement of flow-through share premium liability pursuant to incurring qualified expenditures		**(22,240)**		–
Balance - end of the year	**$**	**88,043**	$	21,631

<u>Summary of renunciations related to the tranches for flow through share issuances during the year ended December 31, 2019 are as follows:</u>

As at December 31, 2019, CDN$889,894 (December 31, 2018 – CDN$422,778) were spent in relation to the flow through shares issued during the year ended December 31, 2019 and 2018.

Tranche 1 flow through share issued on April 5, 2019 for gross proceeds of CDN$ 255,000

As of the December 31, 2019, the gross proceeds of CDN$ 244,843 unspent and will be incurred prior to December 31, 2020.

Tranche 2 flow through share issued on May 10, 2019 for gross proceeds of CDN$ 310,500

As of the December 31, 2019, the gross proceeds of CDN$ 310,500 remained unspent and will be incurred prior to December 31, 2020.

Tranche 1 flow through share issued on December 17, 2019 for gross proceeds of CDN$ 350,000

As of the December 31, 2019, the gross proceeds of CDN$ 350,000 remained unspent and will be incurred prior to December 31, 2020.

In US Dollars, unless otherwise stated

13. Leases – right of use assets and lease liabilities

The Company leases a corporate office in Vancouver, BC from third parties under lease agreements on November 1, 2019 and the lease expires on October 31, 2022. Refer to Note 2. "Basis of Presentation and Summary of Significant Accounting Policies" for details regarding the 2019 adoption of IFRS 16.

Right-of-use assets

A summary of the changes in the right-of-use assets for the year ended December 31, 2019 is as follow:

Right-of-use assets		
Balance at January 1, 2019	$	–
Addition		72,752
Depreciation		(3,148)
Balance at December 31, 2019	$	69,604

Lease liabilities

On November 1, 2019, the Company entered into lease agreement which resulted in the lease liability of $72,752 (undiscounted value of $111,600, discount rate used is 15.95%). This liability represents the monthly lease payment from November 1, 2019 to October 31, 2022, the end of the lease term.

A summary of changes in lease liabilities for the year ended December 31, 2019 is as follows:

Lease liabilities		
Balance at January 1, 2019	$	–
Addition		72,752
Lease payment on principal portion		(26,052)
Lease payments on interest portion		(1,210)
Lease liability accreation expense		1,210
Foreign exchange difference		511
Balance at Decemer 31, 2019	$	47,211
Current portion	$	21,302
Long term portion	$	25,909

The following is a schedule of the Company's future lease payments under lease obligations:

Future lease payments		
2020	$	28,642
2021		29,566
Total undiscounted lease payments		58,208
Less: imputed interest		(10,997)
Total carry value of lease obligations	$	47,211

14. Capital disclosures

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital that it manages as share capital.

Management reviews its capital management approach on an on-going basis and believes that this approach is reasonable and appropriate relative to the size of the Company.

The Company is in the business of mineral exploration and has no source of operating revenue. Operations are financed through the issuance of capital stock or liability instruments, or through the sale of property, plant, and equipment. Capital raised is held in cash in an interest-bearing bank account until such time as it is required to pay operating expenses or resource property costs. The Company is not subject to any externally imposed capital restrictions. Its objectives in managing its capital are to safeguard its cash and its ability to continue as a going concern, and to utilize as much of its available capital as possible for exploration activities. The Company's objectives have not changed during the years ended December 31, 2019 and 2018.

15. Segmented disclosure

The Company operates in one operating segment, which is acquisition, and exploration of mineral properties. The following provides segmented disclosure on the non-current assets:

SEGMENT DISCLOSURE (ROUNDED TO 000s)	Canada	United States	Total
December 31, 2019			
Long-term Assets			
Deposit	**$ –**	**$ 5,000**	**$ 5,000**
Exploration and Evaluation Assets	**$ 615,000**	**$ 1,506,000**	**$ 2,121,000**
Reclamation Deposit	**$ –**	**$ 18,000**	**$ 18,000**
Right-of-use asset	**$ 70,000**	**$ –**	**$ 70,000**
December 31, 2018			
Long-term Assets			
Deposit	$ –	$ 5,000	$ 5,000
Exploration and Evaluation Assets	$ 488,000	$ 644,000	$ 1,132,000
Reclamation Deposit	$ 10,000	$ 7,000	$ 17,000

In US Dollars, unless otherwise stated

16. Income taxes

The following table reconciles the expected income taxes (recovery) at the Canadian statutory income tax rates to the amounts recognized in the consolidated statements of financial position as at December 31, 2019 and 2018. The presentation of the prior year income tax note has been updated to conform with the current year presentation.

	31 December 2019	31 December 2018
Net income (loss) and comprehensive income (loss) for the year	$ (2,506,911)	$ 274,223
Statutory income tax rate	27.00%	27.00%
Expected income tax (recovery)	(676,866)	74,040
Differences resulting from:		
Non-deductible (non-taxable) items and others	127,226	(62,154)
Change in estimates	605,957	(23,630)
Share issuance cost	(28,985)	(55,722)
Warrant liability	(101,639)	(221,995)
Loss expired	101,812	117,469
Change in deferred tax assets not recognized	(203,390)	83,893
Tax effect of flow-through share renunciation	175,885	88,099
Provision for income taxes	$ -	$ -

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their corresponding values for tax purposes.

Deferred tax asset (liabilities) at December 31, 2019 and 2018 are comprised of the following:

	31 December 2019	31 December 2018
Non-capital loss carryforwards	$ 22,059	$ 51,954
Right-of-use assets	(18,793)	-
Marketable securities	(3,266)	(51,954)
Deferred tax asset (liability)	$ -	$ -

The unrecognized deductible temporary differences are as follows:

	31 December 2019	31 December 2018
Canada		
Non-capital loss carryforwards	$ 9,538,825	$ 7,051,661
Exploration and evaluation assets	8,258,571	8,635,180
Net capital losses	-	14,467
Property and equipment	6,430	10,627
Investment tax credit	53,763	53,763
Lease liability	47,211	-
Warrant liability	443,486	-
Financing cost	203,489	156,812
Unrecognized deductible temporary differences	$ 18,551,775	15,922,500

In US Dollars, unless otherwise stated

	31 December 2019	31 December 2018
USA		
Federal net operating loss carryforwards	**$ 25,846,189**	**$ 25,725,841**
California net operating loss carryforwards	**13,826,478**	**-**
Property and equipment	**87,623**	**81,315**
Mineral property	**637,840**	**835,691**
Unrecognized deductible temporary differences	**$ 40,398,130**	**$ 26,642,847**

The Company has non-capital loss carryforwards of $9,538,825 (2018 – $ 7,051,661) which may be carried forward to apply against future year income tax for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

Year of Expiry	**Taxable Loss**
2025	$ 976,908
2026	1,202,351
2027	1,418,988
2028	896,427
2029	864,416
2030	557,750
2031	613,972
2032	822,234
2033	170,890
2035	111,811
2036	63,877
2037	72,871
2038	560,800
2039	1,205,530
Total	$ 9,538,825

In US Dollars, unless otherwise stated

The Company has federal net operating loss carryforwards of $25,846,189 (2018- $25,725,841) which may be carried forward to apply against future year income tax for US tax purposes, as follows:

Year of Expiry		Taxable Loss
	2020	268,287
	2021	154,928
	2022	313,643
	2023	254,921
	2024	1,633,085
	2025	1,056,097
	2026	1,063,847
	2027	1,441,550
	2028	1,999,239
	2029	1,334,762
	2030	1,700,442
	2031	1,721,728
	2032	1,336,369
	2033	1,317,217
	2034	1,271,214
	2035	1,017,605
	2036	6,572,916
	2037	167,646
	No expiry	1,220,693
	Total	$ 25,846,189

The Company has California net operating loss carryforwards of $13,826,478 (2018- $nil) which may be carried forward to apply against future year income tax for US tax purposes, as follows:

Year of Expiry		Taxable Loss
	2028	1,970,186
	2029	1,317,668
	2030	1,689,007
	2031	1,712,480
	2032	1,329,453
	2033	1,290,500
	2034	1,275,153
	2035	1,018,701
	2036	858,651
	2037	164,032
	2038	644,982
	2039	555,665
	Total	$ 13,826,478

17. Commitment

The Company entered into a lease 3 year lease agreement for office space in Vancouver on November 1, 2019. See Note 13 for additional details. There are arrangements with other companies that share rent and office expensed on a cost-recovery basis.

The Company has commitment related to the issuance of flow through shares. See Note 12 for a discussion of flow through expenditure commitments related to exploration assets.

18. Events after the reporting period

a) Shares issuance

On November 15, 2019, the Company entered into a Consulting Agreement with Scharfe Holdings Inc. and the work has concluded to the satisfaction of the parties involved. As compensation for the services rendered under the Agreement, the Company has received an invoice for $17,500 and will issue to Scharfe Holdings Inc. 250,000 common shares in the capital of the Company at a deemed price of $0.07 per share based on the share price at the time of completion of the work.

On January 13, 2020, the Company issued 250,000 common shares to Scharfe Holdings Inc.

b) Stock options

On January 30, 2020, the Company has granted 3 million incentive stock options to directors, officers, employees, and consultants of the Company. The Options are vested immediately and exercisable at a price of CDN$0.09 per common share for a period of 5 years from the date of grant.

c) New York Canyon Option to Joint Venture with Kennecott Exploration and Acquisition from Searchlight Resources

Kennecott Joint Venture Agreement

On February 7, 2020, the Company signed an Earn-In with Option to Joint Venture Agreement with Kennecott Exploration Company (“Kennecott”), a subsidiary of Rio Tinto PLC (LSE: RIO:L, ASE: RIO.AX NYSE: RIO.N) for the New York Canyon Property. Kennecott can earn up to a 75% interest in the Property by completing US$22.5 million in exploration expenditures. Kennecott staked 265 unpatented mineral claims, expanding the Property to 21 patented and 417 unpatented mineral claims, totaling approximately 8,700 acres.

Under the terms of the Earn-In with Option to Joint Venture between the Company and Kennecott:

1. Kennecott will have an option (the “First Option”) to acquire a 55% undivided interest in the Property by incurring $5.0 million in expenditures over a 5 year period, of which $1.0 million is a committed expenditure that must be completed prior to the 18 month anniversary of the Agreement.
2. Kennecott will have a second option (the “Second Option”) to earn an additional 10% undivided interest in the Property (for a total of 65%) by incurring an additional S$7.5 million in expenditures over a 3 years period.
3. Kennecott will have a third option (the “Third Option”) to earn an additional 10% undivided interest in the Property (for a total of 75%) by incurring an additional $10 million in expenditures over a 3 years period.
4. Any expenditure in excess of an option expenditure requirement in a given time period will be credited against subsequent option expenditure requirements. Kennecott may, at any time or from time to time, accelerate its satisfaction of the First, Second, or Third Option by paying the Company money in lieu of incurring expenditures.
5. While earning in, Kennecott will have the right to make exploration and development decisions.
6. Kennecott must maintain the Property in good standing during the option period(s), including payment of BLM and County maintenance fees and make any underlying property payments due to Searchlight.

7. Kennecott will have the right to elect to form a joint venture (the "Joint Venture") with the Company upon completion of either the First, Second, or Third Option. Upon establishing a Joint Venture each participant will fund the joint venture according to its participating interest, with Kennecott acting as the Manager of the joint venture. If a party's participating interest falls below 10%, then such parties participating interest will be converted to a 1% Net Smelter Royalty, capped at $25 million.

<u>100% Acquisition from Searchlight</u>

On March 11, 2020, Kennecott paid the remaining option payments of CDN$225,000 on behalf of the Company for the acquisition of 100% interest in New York Canyon Property (Refer to note 9(c)).

d) Rozan and Stewart claims sale to Ximen Mining Corporation

On February 25, 2020, the Company signed a Property Acquisition Agreement and will sell its Stewart and Rozan Properties, located in British Columbia, to Ximen Mining Corporation (TSXV: XIM, OTCQB: XXMMF, FRA: 1XMA) ("Ximen").

The key terms of the Property Acquisition Agreement are as follows:

- CDN$100,000 paid to the Company in cash at closing;
- 1.275 million Ximen shares issued to the Company at closing;
- 1.275 million share purchase warrants provided to the Company at closing allowing the Company to purchase common shares of Ximen at a price of CDN$0.45 per unit exercisable for a period of 3 years, increasing to CDN$0.55 per unit and exercisable in years 4 and 5;
- the Company will transfer any B.C. Portable Assessment Credits related to exploration on Stewart and Rozan to Ximen as part of the transaction.

e) Casa South Expansion

On February 5, 2020, the Company expanded its Casa South Property, QC with the addition of 24 mineral claims totaling approximately 1,320 ha (3,260 ac). In addition, 19 claims expired on February 2020. The total size of the Property is now 185 claims totaling 11,400 ha (28,170 ac). Casa South is immediately south of Hecla Mining Corporation's ("Hecla") (NYSE: HL) operating Casa Berardi Mine and immediately north of IAMGOLD Corporation's ("IAMGOLD") (TSX: IMG, NYSE: IAG) Gemini-Turgeon Property.

Emgold has completed a second amendment to the option agreement dated January 28, 2019 between Emgold and Greg Exploration Inc. and Affiliates (collectively known as the "Vendors"). The Second Amendment adds the additional 24 mineral claims to Schedule A of the Option Agreement. All claims are subject to a one and half percent (1.5%) Net Smelter Royalty ("NSR") payable to the Vendors. A half percent (0.5%) of said NSR can be repurchased by Emgold for an amount of C$500,000. The additional claims have been transferred from the Vendor into Emgold's name.

f) East West Property Transaction

Subsequent to the year-end, the Company issued 4,000,000 common shares on January 3, 2020 and paid CDN$35,000 on May 5, 2020 related to the acquisition of East West Property (see note 9(d)).

g) Covid-19

Subsequent to year-end, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. As a result, global equity markets and oil prices have experienced significant volatility and weakness. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.