

# **EMGOLD MINING CORPORATION**

**(AN EXPLORATION STAGE COMPANY)**

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019**

Stated in US Dollars

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## Independent Auditor's Report

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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, 2020 and December 31, 2019, and the consolidated statements of comprehensive loss, changes in shareholders' 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, 2020 and December 31, 2019, 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 that as at December 31, 2020, the Company had an accumulated deficit and expects to incur further losses. 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 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 compiled 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

April 28, 2021

*MNP* LLP  
Chartered Professional Accountants

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	Note	As at	
		December 31 2020	December 31 2019
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		\$ 1,194,539	\$ 160,361
Amounts receivable	6	148,403	143,526
Assets held for sale	8	–	2
Marketable securities	7	763,437	516,168
Prepaid expenses		383,571	160,682
Due from related parties	10	19,489	18,738
		<b>2,509,439</b>	<b>999,477</b>
<b>Non-current assets</b>			
Advance payments for assets acquisition	9 (d)	152,100	–
Deposit		9,732	4,500
Equipment	12	74,041	–
Exploration and evaluation assets	9	2,602,477	2,121,248
Reclamation bonds		–	18,037
Right-of-use asset	14	11,986	69,604
		<b>2,850,336</b>	<b>2,213,389</b>
<b>Total Assets</b>		<b>\$ 5,359,775</b>	<b>\$ 3,212,866</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		\$ 361,106	\$ 550,875
Deposit received		50	–
Due to related parties	10	214,308	393,852
Flow-through share premium liability	13	91,633	88,043
Lease liability	14	7,129	21,302
Warrant liability	11	2,082,156	443,488
		<b>2,756,382</b>	<b>1,497,560</b>
<b>Lease liability</b>	14	–	25,909
<b>Total liabilities</b>		<b>2,756,382</b>	<b>1,523,469</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	11	47,869,337	47,264,277
Shares to be cancelled		(3,586)	–
Warrants - reserve	11	956,303	803,764
Options - reserve	11	7,865,859	7,348,039
Accumulated Deficit		(54,084,520)	(53,726,683)
		<b>2,603,393</b>	<b>1,689,397</b>
<b>Total liabilities and equity</b>		<b>\$ 5,359,775</b>	<b>\$ 3,212,866</b>

*Nature of operations and going concern (Note 1)*

*Commitments (Note 17)*

*Events after the Reporting Period (Note 19)*

Approved and authorized for issuance by the board of directors on April 28, 2021

"David Watkinson"  
David Watkinson, Director

Andrew MacRitchie  
Andrew MacRitchie, Director

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**

	Note	Years ended December 31,	
		2020	2019
<b>EXPENSES</b>			
<b>Exploration and Evaluation</b>			
Resource property expense	9	\$ 740,124	\$ 1,134,007
<b>General and Administrative</b>			
Advertising and promotion		516,459	164,503
Amortization	12	8,520	–
Banking costs		531	5,609
Depreciation of right-of-use asset	14	19,611	3,148
Insurance		14,945	24,712
Listing and filing fees		79,685	79,114
Management and consulting		591,486	767,847
Professional fees		131,326	150,567
Office and administration		36,172	28,298
Rent		18,000	41,124
Share based compensation	11	517,820	132,812
Travel		40,985	107,372
Net Loss Before Other Items		(2,715,664)	(2,639,113)
<b>Other Items</b>			
Sublet income		19,900	14,550
Other income		35,000	–
Gain on lease modification		2,955	–
Gain on write-off of accounts payable		23,466	–
Government subsidy		17,714	–
Amortization of flow-through share premium liability	13	–	22,599
Financing charges		(286)	(11,567)
Lease liability accretion expense	14	(6,055)	(1,210)
Foreign exchange gain		68,199	48,447
Gain on disposition of assets	8	561,515	9,504
Gain on disposition of marketable securities	7	359,534	142,791
Fair value adjustment for marketable securities	7	250,444	(360,646)
Fair value adjustments for warrant liability	11	1,027,008	267,734
Other taxes		(1,567)	–
(Loss) and comprehensive (loss)		\$ (357,837)	\$ (2,506,911)
<b>Loss per share, basic and diluted</b>		\$ (0.00)	\$ (0.05)
<b>Weighted average number of common shares outstanding - basic and diluted</b>		87,966,133	47,390,170

**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

	Number of Outstanding Shares		Share Capital	Shares to be cancelled	Number of Outstanding Warrants		Reserves Warrants	Number of Outstanding Options		Reserves Options	Deficit	Shareholders' Equity			
<b>Balance, December 31, 2018</b>	35,393,420	\$	45,622,784	\$	-	11,508,431	\$	701,802	3,000,000	\$	7,215,227	\$	(51,219,772)	\$	2,320,041
Shares issued for properties	7,748,868		567,091		-	2,000,000		86,064	-		-		-		653,155
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
Share-based compensation	-		-		-	-		-	1,550,000		132,812		-		132,812
Options cancelled/forfeited	-		-		-	-		-	(925,000)		-		-		-
Comprehensive (loss) for the year	-		-		-	-		-	-		-		(2,506,911)		(2,506,911)
<b>Balance, December 31, 2019</b>	62,276,506	\$	47,264,277	\$	-	28,485,233	\$	803,764	3,625,000	\$	7,348,039	\$	(53,726,683)	\$	1,689,397
<b>Balance, December 31, 2019</b>	62,276,506	\$	47,264,277	\$	-	28,485,233	\$	803,764	3,625,000	\$	7,348,039	\$	(53,726,683)	\$	1,689,397
Private Placement - Flow-through	10,410,000		497,775		-	5,205,000		-	-		-		-		497,775
Share issuance costs - Flow-through	-		(84,477)		-	628,600		34,127	-		-		-		(50,350)
Private Placement - Non flow-through	48,746,110		125,952		-	48,746,110		-	-		-		-		125,952
Share issuance costs - Non flow-through	-		(235,100)		-	2,243,118		118,412	-		-		-		(116,688)
Shares issued for properties	4,000,000		246,305		-	-		-	-		-		-		246,305
Shares issued for service	250,000		13,412		-	-		-	-		-		-		13,412
Options granted	-		-		-	-		-	8,950,000		517,820		-		517,820
Subscribers' warrants exercised	350,000		41,193		-	(350,000)		-	-		-		-		41,193
Shares to be cancelled	-		-		(3,586)	-		-	-		-		-		(3,586)
Warrants expired	-		-		-	(13,281,048)		-	-		-		-		-
Comprehensive (loss) for the year	-		-		-	-		-	-		-		(357,837)		(357,837)
<b>Balance, December 31, 2020</b>	126,032,616	\$	47,869,337	\$	(3,586)	71,677,013	\$	956,303	12,575,000	\$	7,865,859	\$	(54,084,520)	\$	2,603,393

**CONSOLIDATED STATEMENTS OF CASHFLOWS**

	Note	Years ended December 31,	
		2020	2019
		\$	\$
<b>Operating activities</b>			
(Loss) for the year		(357,837)	(2,506,911)
Items not affecting cash:			
Amortization of equipment	12	8,520	–
Amortization of flow-through share premium liability	13	–	(22,599)
Depreciation of right-of-use assets	14	19,611	3,148
Lease liability accretion expense	14	6,055	1,210
Unrealized foreign exchange loss		123,414	5,383
Fair value adjustment for marketable securities	7	(250,444)	360,646
Fair value adjustments for warrant liability	11	(1,027,008)	(267,734)
Gain on disposition of assets	8	(561,515)	(9,504)
Gain on disposition of marketable securities	7	(359,534)	(142,791)
Gain on lease modification	14	(2,955)	–
Share issued for service		13,412	–
Share-based compensation		517,820	132,812
Changes in non-cash operating working capital			
Amounts receivable		45,736	(91,612)
Deposit received		50	–
Prepaid expenses and deposits		(228,121)	(151,421)
Accounts payable and accrued liabilities		(190,269)	460,258
Due to related parties		(180,295)	(66,020)
<b>Cash used in operating activities</b>		<b>(2,423,360)</b>	<b>(2,295,135)</b>
<b>Investing activities</b>			
Equipment purchase	12	(82,561)	–
Reclamation bond		18,537	(8,343)
Resource properties royalty payments received		10,000	10,000
Proceeds from sale of mineral property		68,980	–
Proceeds from sale of marketable securities		857,363	1,110,976
Acquisition of mineral properties		(397,023)	(346,112)
<b>Cash provided by investing activities</b>		<b>475,296</b>	<b>766,521</b>
<b>Financing activities</b>			
Lease payments on principal portion	14	(4,569)	(26,052)
Lease payments on interest portion		–	(1,210)
Proceeds from exercise of warrants		21,337	–
Net proceeds from units issued for cash		3,066,868	1,518,614
<b>Cash provided by financing activities</b>		<b>3,083,636</b>	<b>1,491,352</b>
<b>Increase (decrease) in cash</b>		<b>1,135,572</b>	<b>(37,262)</b>
<b>Exchange difference on cash</b>		<b>(101,394)</b>	<b>(5,419)</b>
<b>Cash, beginning of year</b>		<b>160,361</b>	<b>203,042</b>
<b>Cash, end of year</b>		<b>1,194,539</b>	<b>160,361</b>

**Schedule of Non-cash Investing and Financing Transactions**

Shares issued for mineral property acquisitions	\$	246,306	\$	653,155
Fair value of subscribers' warrants allocated from share capital	\$	2,665,676	\$	–
Selling proceeds received in shares and warrants	\$	492,537	\$	–



# EMGOLD MINING CORPORATION

For the Years ended December 31, 2020 and 2019

In US Dollars, unless otherwise stated

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 1. Nature of operations and going concern

Emgold Mining Corporation (“the Company” or “Emgold”) is incorporated under the British Columbia Corporations Act and its principal place of business is located at 1010 - 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 the shareholders of the Company. Acquisitions or divestitures could be purchase or sale of assets, option or joint venture of assets, royalty transactions, 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 cash by the sale of common shares of public mining companies it owns, cash generated by the sale, joint venture, option, or other transactions related to its assets, or through equity financings, where the amount or timing of cashflow cannot be guaranteed.

The Company has on-going cash needs to meet its overhead requirements, maintain its exploration assets, and complete planned exploration activities. The generation of revenue from its 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 cash flow 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, 2020, the Company had a working capital deficit of \$246,943 (December 31, 2019 working capital deficit - \$498,083), an accumulated deficit of \$54,084,520 (December 31, 2019 - \$53,726,683), a loss and comprehensive loss of \$357,837 (December 31, 2019 - \$2,506,911) and a net cash outflow used in operating activities of \$2,423,360 (December 31, 2019 – outflow of \$2,295,135) 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 financing; 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.

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 April 28, 2021.

#### 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 and share-based payments, 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

## EMGOLD MINING CORPORATION

For the Years ended December 31, 2020 and 2019

In US Dollars, unless otherwise stated

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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#### c) Basis of 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.

#### d) Currency

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.

### 3. Summary of significant accounting policies

#### a) Adoption of new accounting standards

IFRS 3, Amendments to the definition of a business (“IFRS 3 Amendments”)

The IASB has issued Definition of a Business (Amendments to IFRS 3) to clarify the definition of a business for the purpose of determining whether a transaction should be accounted for as an asset acquisition or a business combination. The amendments:

- clarify the minimum attributes that the acquired assets and activities must have to be considered a business;
- remove the assessment of whether market participants can acquire the business and replace missing inputs or processes to enable them to continue to produce outputs;
- narrow the definition of a business and the definition of outputs; and
- add an optional concentration test that allows a simplified assessment of whether an acquired set of activities and assets is not a business.

This amendment is effective for annual periods beginning on or after January 1, 2020. The Company adopted this amendment. The Company is in the industry of acquiring early exploration stage of mineral claims without metals production which would be considered as a critical output in the mining industry. As such, management considered the amendment of IFRS 3 currently does not have material impact to the Company yet until in the future where the Company acquiring mineral properties with significant metal production.

#### b) Equipment

All items of equipment are stated at historical cost, less any accumulated depreciation and any accumulated impairment losses. Historical cost includes all costs directly attributable to the acquisition.

Amortization of other items of equipment is calculated on components that have homogeneous useful lives by using the declining balance method so as to amortize the initial cost as follows:

## EMGOLD MINING CORPORATION

For the Years ended December 31, 2020 and 2019

In US Dollars, unless otherwise stated

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Trucks and vehicles	30%
Office furniture	20%
Field equipment	20%
Computer hardware	30%

Useful lives, residual values and amortization methods are reviewed at each year-end. Such a review takes into consideration the nature of the assets, their intended use and technological changes.

Half-year rule is applied as only 50% of the initial the cost is subject to amortize during the year of addition.

Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in "Other operating income and expenses" in profit or loss.

#### **c) Foreign Currencies**

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 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 Loss. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognized immediately in Consolidated Statements of Comprehensive 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.

#### **d) Cash**

Cash consists of cash on hand and deposits in banks.

#### **e) Marketable securities**

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

#### **f) 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.

#### **g) 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.

## EMGOLD MINING CORPORATION

For the Years ended December 31, 2020 and 2019

In US Dollars, unless otherwise stated

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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.

#### **h) Impairment of non-financial assets**

The recoverability of exploration and evaluation assets and equipment 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 and equipment 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 and equipment 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.

#### **i) 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.

## EMGOLD MINING CORPORATION

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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#### j) 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, are recorded at the date the goods or services are received.

#### k) 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.

## **EMGOLD MINING CORPORATION**

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#### **l) Loss per share**

Basic loss per share are computed by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the reporting year. Diluted loss 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. For fiscal 2020, there were no dilutive instruments.

#### **m) Comprehensive loss**

Comprehensive 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 loss 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 loss is presented in the Consolidated Statements of Comprehensive Loss and the Consolidated Statements of Changes in Equity.

#### **n) 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.

#### **o) Provisions for restoration and rehabilitation**

The Company recognizes liabilities for statutory, contractual, constructive, or legal obligations associated with the retirement of exploration and evaluation assets 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, 2020 or 2019.

#### **p) Share capital**

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

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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.

#### q) Leases

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.

#### 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.

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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. 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 and Equipment

The Company makes certain judgements and assumptions regarding indicators of impairment and the recoverability of the carrying values of exploration and evaluation assets and equipment. Management has assessed for impairment indicators for the Company's properties and equipment and has concluded that no indicators of impairment as at December 31, 2020.

### **a) 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 by adoption of IFRS 16, as well as the associated value of the right-of-use assets.



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#### 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 Fair Value Through Profit and Loss ("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 Fair Value Through Other Comprehensive Income ("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:

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

  

<b>Financial assets</b>	<b>Classification</b>
Cash	Amortized cost
Marketable securities	FVTPL
Reclamation bonds	Amortized cost
Amounts receivable excludes goods and service tax	Amortized cost
Due from related parties	Amortized cost

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.

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#### 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, 2020 and 2019 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 excluding the investment in warrants of a public company (note 8) were considered to be classified as Level 1 and warrant liabilities and the investment in warrants of a public company 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 unfavorable market conditions could result in dispositions of investments at less than favorable 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.

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#### 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, 2020 and December 31, 2019 are as follows:

<b>Rounded (000's)</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Cash	\$ 1,114,000	\$ 133,000
Marketable securities	729,000	516,000
Amounts receivable excludes sales taxes receivable	139,000	17,000
Due from related parties	6,000	15,000
Accounts payable and accrued liabilities	(281,000)	(505,000)
Due to related parties	—	(3,000)
Lease liability	(7,000)	(47,000)
Warrant liabilities	(1,987,000)	(443,000)
	<b>\$ (287,000)</b>	<b>\$ (317,000)</b>

Based on the net exposure at December 31, 2020, a 5% depreciation or appreciation in Canadian dollar against US dollar would result in a gain or loss of \$19,000.

#### 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.

## 6. Amount 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:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Goods and services tax	\$ 75,904	\$ 124,620
Share subscription receivable	67,743	17,130
Other receivable	4,756	1,776
	<b>\$ 148,403</b>	<b>\$ 143,526</b>

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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#### 7. Marketable securities

As at December 31, 2020, the fair value of its current holdings was \$763,437 (December 31, 2019 - \$516,168) and the positive change of fair value adjustment of \$250,444 for the year ended December 31, 2020 (December 31, 2019 – negative change of fair value adjustment of \$360,646).

#### 8. Assets held for sale

On February 25, 2020, the Company signed a Property Acquisition Agreement and sold 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 were as follows:

- CDN\$100,000 paid to the Company in cash at closing (paid);
- 1.275 million Ximen shares issued to the Company on March 12, 2020; and
- 1.275 million share purchase warrants provided to the Company on March 12, 2020 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 fair value of these warrants was \$224,986 on the initial issuance date on March 12, 2020 and \$274,267 on December 31, 2020.

The fair value of the warrants on March 12, 2020 was estimated using the Binomial model with the following assumptions: risk-free interest rate of 0.52%; dividend yield of 0%; historical stock price volatility of 139.47%; and an expected life of 5.00 years. The fair value of the warrants on December 31, 2020 was estimated using the Binomial model with the following assumptions: risk-free interest rate of 0.33%; dividend yield of 0%; historical stock price volatility of 106.87%; and an expected life of 4.20 years.

The Company recognized a gain on sale of these assets of \$561,515 during the year ended December 31, 2020.

<b>Balance at December 31, 2019</b>	<b>\$</b>	<b>2</b>
<b>Rozan and Stewart BC Properties sold</b>		<b>(2)</b>
<b>Balance at December 31, 2020</b>	<b>\$</b>	<b>–</b>

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 9. Exploration and evaluation assets

Property acquisition costs	Casa South, QC	East West, QC	New York Canyon, NV	Troilus North, QC	BC Claims	Mindora, NV	Golden Arrow, NV	Buckskin Rawhide - East, NV	Buckskin Rawhide - West, NV	Koegel Rawhide, NV	Total
<b>Balance as at January 1, 2019</b>	\$ -	\$ -	\$ -	\$ -	\$ 2	\$ -	\$ 537,870	\$ 314,052	\$ 140,029	\$ 140,030	\$ 1,131,983
Acquisition Costs	501,124	57,746	283,957	56,440	-	50,000	50,000	-	-	-	999,267
(Royalty payment received)	-	-	-	-	-	-	-	(10,000)	-	-	(10,000)
<b>Balance as at December 31, 2019</b>	\$ 501,124	\$ 57,746	\$ 283,957	\$ 56,440	\$ 2	\$ 50,000	\$ 587,870	\$ 304,052	\$ 140,029	\$ 140,030	\$ 2,121,250
<b>Balance as at January 1, 2020</b>	\$ 501,124	\$ 57,746	\$ 283,957	\$ 56,440	\$ 2	\$ 50,000	\$ 587,870	\$ 304,052	\$ 140,029	\$ 140,030	\$ 2,121,250
Acquisition Costs	26,111	344,811	-	-	-	95,307	50,000	-	-	-	516,229
Option payment received	-	-	(25,000)	-	-	-	-	-	-	-	(25,000)
Disposal	-	-	-	-	(2)	-	-	-	-	-	(2)
(Royalty payment received)	-	-	-	-	-	-	-	(10,000)	-	-	(10,000)
<b>Balance as at December 31, 2020</b>	\$ 527,235	\$ 402,557	\$ 258,957	\$ 56,440	\$ -	\$ 145,307	\$ 637,870	\$ 294,052	\$ 140,029	\$ 140,030	\$ 2,602,477

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Exploration & Evaluation Expenditure	Casa South, QC	East West, QC	New York Canyon, NV	Troilus North, QC	Other Prospects	Mindora, NV	Golden Arrow, NV	Buckskin Rawhide - East, NV	Buckskin Rawhide - West, NV	Koegel Rawhide, NV	Total
<b>Balance as at</b>											
<b>January 1, 2019</b>	\$ –	\$ –	\$ –	\$ 315,600	\$ 111,531	\$ –	\$ 148,267	\$ 3,515	\$ 9,749	\$ 5,580	\$ 594,242
Claims Fee	3,366	–	61,034	–	690	519	67,831	–	–	6,382	139,822
Carrying Costs	645,581	3,768	384	23,544	2,381	–	150,463	–	3,727	–	829,848
General property search	–	–	25,947	–	92,124	12,897	32,949	420	–	–	164,337
<b>Balance as at</b>											
<b>December 31, 2019</b>	\$ 648,947	\$ 3,768	\$ 87,365	\$ 339,144	\$ 206,726	\$ 13,416	\$ 399,510	\$ 3,935	\$ 13,476	\$ 11,962	\$ 1,728,249
<b>Balance as at</b>											
<b>January 1, 2020</b>	\$ 648,947	\$ 3,768	\$ 87,365	\$ 339,144	\$ 206,726	\$ 13,416	\$ 399,510	\$ 3,935	\$ 13,476	\$ 11,962	\$ 1,728,249
Claims Fee	4,091	599	1,251	–	–	29,794	117,569	–	3,729	6,384	163,417
Carrying Costs	–	6,109	384	–	1,038	–	145,919	–	–	–	153,450
General property search	246,773	25,480	14,645	105	1,640	57,653	68,941	2,230	1,515	4,275	423,257
<b>Balance as at</b>											
<b>December 31, 2020</b>	\$ 899,811	\$ 35,956	\$ 103,645	\$ 339,249	\$ 209,404	\$ 100,863	\$ 731,939	\$ 6,165	\$ 18,720	\$ 22,621	\$ 2,468,373

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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#### 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 an 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 into Emgold's subsidiaries name, Golden Arrow Mining Corporation. The acquisition costs during the year ended December 31, 2020 totaling \$50,000 consists of two \$25,000 annual advance royalty payment streams.

#### b) Casa South Property, Quebec

The Company has a 100% interest in the Casa South Property, an early-stage exploration property consisting of 204 mining titles covering a total of 11,400 hectares. It is adjacent to Hecla Mining Corporation's (NYSE: HL) operating Casa Berardi Mine.

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 CDN\$75,000 to the Vendors, and by making the share payment required under the Amended Assignment Agreement to the finder.

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 June 13, 2019, Emgold announced it had amended the option agreement to allow it to acquire a 100% interest in the property. 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 February 5, 2020, Emgold announced that it expanded the property with the addition of 24 mineral claims totaling approximately 1,320 ha (3,260 ac) bringing the total of the property consisting of 204 claims for payments totaling \$26,111.

The property is subject to a 1.5% NSR, of which 0.5% can be purchased by Emgold for CDN\$500,000.

#### 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 in the New York Canyon Property, subject to underlying royalties. The property included 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. The Company completed the CDN\$50,000 in payment due at closing of the transaction and issued 2,941,176 common shares to Searchlight Resources Inc.

On November 15, 2019, the Company staked 92 additional claims, expanding the size of the property to 152 unpatented and 21 patented mineral claims.

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As at December 31, 2019, the remaining commitment for completing the 100% interest acquisition included three payments of C\$100,000 each due to Searchlight. 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.

#### 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 (NYSE: RIO) 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-year 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-year 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.
8. As further consideration for the grant of Options, Kennecott agrees to make a payment of \$25,000 to Golden Arrow within forty-five (45) days of executing the Agreement (the "Execution Payment"). The Company has received this payment in 2020.

#### 100% Acquisition from Searchlight

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. The CDN\$225,000 payment was part of Kennecott's \$1.0 million committed expenditure required prior to the 18-month anniversary of the Agreement.

#### **d) East West Property, Quebec**

On December 6, 2019, Emgold 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") (TSX: KNX). Emgold has also acquired a second option (the "Second Option") to increase its ownership in the Property to 55%.



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The Vendor granted 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 agreed to pay the Vendor:

- 4,000,000 common shares in the share capital of Emgold (the "Share Consideration")(issued to the Vendor on January 3, 2020 the Closing Date);
- CDN\$35,000 to be paid to the Vendor upon the three-month anniversary of the Closing Date;
- CDN\$50,000 to be paid to the Vendor upon the six-month anniversary of the Closing Date; and
- CDN\$50,000 to be paid to the Vendor upon the nine-month anniversary of the Closing Date.

On May 5, 2020, the Company paid CDN\$35,000 to the Vendor. On July 9, 2020, Emgold paid the remaining CDN\$100,000 to the Vendor, exercised its option to acquire a 50% interest in the claims, and subsequently transferred the 50% interest in the claims from the Vendor into Emgold's name. The completion of the acquisition of the 50% interest was announced by press release on November 11, 2020.

Emgold has a 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 has 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.

On November 24, 2020, Emgold announced it had completed acquisition of a further 50% interest in the East-West Property (total of 100%) from Knick Exploration Inc. Pursuant to a Loan Agreement dated January 3, 2020 between Emgold and Knick (the "Loan Agreement"), Emgold had agreed to make available to Knick a loan of up to fifty thousand dollars (CDN \$50,000). In order to secure the execution and performance of its obligations under the Loan Agreement, Knick hypothecated its mining claims in the Property (the "Mining Claims") in favor of Emgold. Further to the signature of a Deed of Giving in Payment (the "Deed"), Knick gave the Mining Claims, in repayment of the loan, to Emgold, and in exchange, Emgold gave acquittance for the hypothecary debt affecting said Mining Claims. The transaction remains subject to regulatory approval.

The acquisition costs during the year ended December 31, 2020 totaling \$344,811 (CDN\$455,000) consists of 4 million shares issued to the vendor of the property at CDN\$0.08/share or \$246,305 (CDN\$320,000) and \$98,506 (CDN\$135,000) of cash.

#### 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 by Emgold. The payment terms was later amended on December 23, 2019 as follows:

- \$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 payment due on subsequent anniversary dates of the signing date on June 15, 2019 (first payment completed)

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 by Emgold. The payment terms was later amended on December 23, 2019 as follows:

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Emgold would pay BL:

- Cash payment of \$50,000 (\$25,000 paid in fiscal 2019 and \$25,000 paid in fiscal 2020) 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 5<sup>th</sup> 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 5<sup>th</sup> anniversary and before the 9<sup>th</sup> anniversary of the Closing Date. AMR remains at \$20,000 per year;

On December 17, 2020, Emgold announced that it has recently staked 117 unpatented claims at Mindora, expanding the property size to 147 unpatented claims totaling about 2,940 acres.

During the year ended December 31, 2020, the annual \$20,000 AMR payment was made to BL and a \$25,000 property payment was made to Nevada Sunrise.

#### **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 or 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, 2020 (2019 - \$10,000).

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#### **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.

#### **i) Stewart Property, British Columbia**

Prior to the sale of the property to Ximen Mining Corporation on February 25, 2020, 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 was subject to a 3% underlying NSR. The Company retained the right to purchase 2% of the underlying NSR by making a CDN\$1.0 million payment to the underlying royalty holder. That right now transferred to Ximen.

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

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:

- a) CDN\$100,000 paid to the Company in cash at closing (paid);
- b) 1.275 million Ximen shares issued to the Company at closing (paid);
- c) 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 (received);

#### **j) Rozan Property, British Columbia**

Prior to the sale of the property to Ximen Mining Corporation on February 25, 2020, 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 was subject to a 3% underlying NSR. Emgold retained the right to purchase 2% of the underlying NSR by making a CDN\$1.0 million payment to the underlying royalty holder. That right has now transferred to Ximen. 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.

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On February 25, 2020, the Company sold its Rozan mineral claims to Ximen Mining Corporation (Refer to note 9(ii)).

#### 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 Royalty 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 was approved by TSX Venture Exchange.

#### 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 <sup>(i)</sup>	Remuneration or fees <sup>(ii)</sup>
	2020	\$ 120,000
David Watkinson, CEO and President – salary	2019	\$ 120,000
	2020	\$ 78,000
David Watkinson, CEO and President – benefits and allowance	2019	\$ 78,000
	2020	\$ 137,466
David Watkinson, CEO and President – Share-based compensation	2019	\$ 44,232
	2020	\$ 120,000
Robert Rosner, CFO and director – management fees	2019	\$ 120,000
	2020	\$ 101,224
Robert Rosner, CFO and director – Share-based compensation	2019	\$ 18,957
	2020	\$ 62,278
Andrew MacRitchie, Director – Share-based compensation	2019	\$ 9,478
	2020	\$ 62,278
Vincent Garibaldi, Director – Share-based compensation	2019	\$ 9,478
	2020	\$ 28,810
Julien Davy, Director – Share-based compensation	2019	\$ –
	2020	\$ 20,623
Steve Cozine, Corporate Secretary – Consulting fees	2019	\$ 28,663
	2020	\$ 14,393
Vanguard Venture owned by Steve Cozine, Corporate Secretary – Consulting fees	2019	\$ –
	2020	\$ 27,493
Steve Cozine, Corporate Secretary – Share-based compensation	2019	\$ 3,159

(i) For the years ended December 31, 2020 and 2019.

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

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

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	December 31, 2020	December 31, 2019
David Watkinson, the CEO	\$ 214,308	\$ 414,589
Robert Rosner, the CFO	(19,489)	(15,945)
A company affiliated to CFO and Corporate Secretary	—	(20,737)
Steve Cozine, Corporate Secretary	—	(2,793)
	\$ 194,819	\$ 375,114

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

During the year ended December 31, 2020:

On January 3, 2020, the Company issued 4,000,000 common shares for acquiring 50% of mineral claims of East West Property, Quebec (See note 9(b)).

On January 13, 2020, the Company issued 250,000 common shares to Scharfe Holdings Inc. in exchange for the consulting service in the amount of \$13,412 or CDN\$17,500.

On July 30, 2020, the Company completed a non-flow-through private placement with an issuance of 33,334,570 units at CDN\$0.06/unit. Each unit consists of one common share and one share purchase warrants exercisable at CDN\$0.08/unit with a 2-year expiry term. In addition, finders' fees of \$85,801 (CDN\$115,715) were paid in cash and 1,954,563 share purchase warrants were issued to finders of this financing. Entire proceeds of \$1,489,037 (CDN\$2,000,074) were allocated to the warrant liability as the fair value of the warrant liability at inception was higher than the proceeds.

On September 18, 2020, the Company completed a flow-through private placement with an issuance of 10,410,000 units at CDN\$0.10/unit. Each unit consists of one common share and one-half share purchase warrant exercisable at CDN\$0.16/unit with a 2-year expiry term. In addition, finders' fees of CDN\$66,860 were paid in cash and 628,600 share purchase warrants were issued to finders of this financing.

On September 18, 2020, the Company completed a non-flow-through private placement with an issuance of 15,411,540 units at CDN\$0.09/unit. Each unit consists of one common share and one share purchase warrant exercisable at CDN\$0.12/unit with a 2-year expiry term. In addition, finders' fees of CDN\$27,860 were paid in cash and 288,555 share purchase warrants were issued to finders of this financing.

On November 17, 2020, 350,000 subscribers' warrants with an exercise price of CDN\$0.08 were exercised.

During the year ended December 31, 2019:

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.

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

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. In addition, 52,000 share purchase warrants were issued to finders of this financing.

On April 5, 2019, the Company completed 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, 80,000 share purchase warrants were issued to finders of this financing.

On April 26, 2019, the Company completed 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 warrant exercisable at CDN\$0.17/unit with a 2-year expiry term. In addition, 98,800 share purchase warrants were issued to finders of this financing.

On May 10, 2019, the Company completed 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, 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, 2020, CDN\$86,250 (December 31, 2019 – CDN\$22,250) share subscription receivable were received in full in January 2021.

#### **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, 2020 and 2019 are summarized as follows:

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STOCK OPTION ACTIVITY	December 31, 2020	Weighted average exercise price  (CDN\$)	December 31, 2019	Weighted
				average exercise price  (CDN\$)
<b>Options Outstanding and Exercisable</b>				
Balance – beginning of year	3,625,000	\$ 0.16	3,000,000	\$ 0.15
Granted	8,950,000	0.09	1,550,000	0.20
Cancelled	-	-	(925,000)	(0.18)
<b>Balance – end of year</b>	<b>12,575,000</b>	<b>\$ 0.11</b>	<b>3,625,000</b>	<b>\$ 0.16</b>

Details of stock options outstanding as at December 31, 2020 are as follows:

Expiry Date	Exercise Price (CDN\$)	December 31, 2020
November 19, 2023	\$0.15	2,600,000
May 17, 2024	\$0.20	1,025,000
January 30, 2025	\$0.09	3,000,000
November 30, 2025	\$0.09	5,950,000
		<b>12,575,000</b>

On January 30, 2020, the Company granted 3,000,000 stock options to directors, officers, employees, and consultants of the Company. The Options were 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.

Share-based compensation relating to options granted and vested during the year ended December 31, 2020 using the Black-Scholes option pricing model was \$174,986 (2019 - \$NIL), 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 period was calculated based on the following weighted average assumptions: Risk free-interest rate – 1.34%; Dividend yield – 0.00%; Expected volatility – 188.0%; Expected life – 5.00 years

On November 30, 2020, the Company granted 5,950,000 stock options to directors, officers, employees, and consultants of the Company. The Options were 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.

Share-based compensation relating to options granted and vested during the year ended December 31, 2020 using the Black-Scholes option pricing model was \$342,834 (2019 - \$NIL), 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 period was calculated based on the following weighted average assumptions: Risk free-interest rate – 0.43%; Dividend yield – 0.00%; Expected volatility – 166.2%; Expected life – 5.00 years.

#### d) Warrants

Share purchase warrants activity during the years ended December 31, 2020 and 2019 are summarized as follows:

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SHARE PURCHASE WARRANT ACTIVITY	December 31, 2020	Weighted average exercise price  (CDN\$)	December 31, 2019	Weighted
				average exercise price  (CDN\$)
<b>Warrants Outstanding and Exercisable</b>				
Balance – beginning of year	28,485,233	\$ 0.18	11,508,431	\$ 0.20
Granted	56,822,828	0.10	16,976,802	0.10
Exercised	(350,000)	0.08	–	–
Expired/Forfeited	(13,281,048)	0.25	–	–
<b>Balance – end of year</b>	<b>71,677,013</b>	<b>0.11</b>	<b>28,485,233</b>	<b>\$ 0.18</b>

Details of share purchase warrants outstanding as at December 31, 2020 are as follows:

Expiry Date	Exercise Price (CDN\$)	December 31, 2020	December 31, 2019
September 18, 2022	\$0.16	5,833,600	–
September 18, 2022	\$0.12	15,700,095	–
July 30, 2022	\$0.08	34,939,133	–
December 19, 2021	\$0.08	5,066,668	5,066,668
July 17, 2021	\$0.25	2,000,000	2,000,000
April 26, 2021	\$0.17	1,907,617	1,907,617
April 5, 2021	\$0.20	80,000	80,000
March 28, 2021	\$0.17	702,000	702,000
March 8, 2021	\$0.17	5,447,900	5,447,900
December 31, 2020	\$0.25	–	123,200
December 20, 2020	\$0.25	–	2,212,308
December 17, 2020	\$0.15	–	266,667
October 4, 2020	\$0.17	–	900,000
August 31, 2020	\$0.25	–	144,000
August 28, 2020	\$0.17	–	3,100,000
August 15, 2020	\$0.25	–	315,030
August 10, 2020	\$0.17	–	2,595,499
August 10, 2020	\$0.25	–	61,847
July 10, 2020	\$0.25	–	1,443,464
June 27, 2020	\$0.25	–	613,083
May 10, 2020	\$0.25	–	868,450
April 5, 2020	\$0.25	–	637,500
		<b>71,677,013</b>	<b>28,485,233</b>

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:



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WARRANT LIABILITY (WARRANTS PRICED IN CANADIAN DOLLARS)	December 31, 2020		December 31, 2019	
	Number of Warrants	Fair Value	Number of Warrants	Fair Value
<b>Balance – beginning of year</b>	<b>25,608,822</b>	<b>\$ 443,488</b>	<b>11,221,687</b>	<b>\$ 371,646</b>
Issued	53,951,110	2,706,868	14,387,135	376,442
Exercised	(350,000)	(20,038)	–	–
To be cancelled	–	(21,154)	–	–
Expiration and Fair value adjustments	(12,635,437)	(1,027,008)	–	(304,600)
<b>Balance – end of year</b>	<b>66,574,495</b>	<b>2,082,156</b>	<b>25,608,822</b>	<b>\$ 443,488</b>

During the year ended December 31, 2020, the Company recorded warrant liability with fair value of \$2,706,686 arisen from new issuance (December 31, 2019 - \$376,442). There were 6,050,438 subscribers' warrants with an exercise price of CDN\$0.25 and 6,584,999 subscribers' warrants with an exercise price of CDN\$0.17 expired during fiscal year ended December 31, 2020. The fair value of these expired warrants was revalued at \$NIL during the period.

During the year ended December 31, 2020, there were 350,000 subscribers' warrants with an exercise price of CDN\$0.08 exercised. The fair value of these warrants on the date of exercise on November 17, 2020 revalued at CDN\$26,000(\$20,038) using the Black-Scholes option pricing model, with the following assumptions: weighted average risk-free rate of 0.27%, volatility factors of 132% and an expected life of 20 months.

The subscribers' warrants granted during the year ended December 31, 2020 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 0.16% - 0.20%, volatility factors of 107% - 139% and an expected life of 2 months – 12 months.

The subscribers' warrants carried forward from the year ended December 31, 2019 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 0.20%, volatility factors of 131% - 135% and an expected life of 19 months – 21 months.

A fair value adjustments to reduce warrant liability of \$1,027,008 (including \$74,727 foreign exchange loss) has been recorded for year ended December 31, 2020 (December 31, 2019 – reduction adjustment of \$304,600). As at December 31, 2020, the Company had a warrant liability in the amount of \$2,082,156 (December 31, 2019 - \$443,488).

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#### 12. Equipment

	Equipment	Computer	Vehicle	Total
<b>Cost</b>				
Balance, December 31, 2019	\$ 24,716	\$ 46,520	\$ -	71,236
Additions	34,069	5,282	43,210	82,561
<b>Balance, December 31, 2020</b>	<b>\$ 58,785</b>	<b>\$ 51,802</b>	<b>\$ 43,210</b>	<b>153,797</b>
<b>Accumulated Amortization</b>				
Balance, December 31, 2019	\$ 24,716	\$ 46,520	\$ -	71,236
Additions	3,407	792	4,321	8,520
<b>Balance, December 31, 2020</b>	<b>\$ 28,123</b>	<b>\$ 47,312</b>	<b>\$ 4,321</b>	<b>79,756</b>
<b>Net Carrying Amount</b>				
Balance, December 31, 2019	\$ -	\$ -	\$ -	-
<b>Balance, December 31, 2020</b>	<b>\$ 30,662</b>	<b>\$ 4,490</b>	<b>\$ 38,889</b>	<b>74,041</b>

#### 13. Flow-through shares premium liability

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

<b>Flow-through Share Premium Liability</b>	<b>December 31, 2020</b>	December 31, 2019
<b>Balance - beginning of the year</b>	<b>\$ 88,043</b>	\$ 21,631
<b>Issuance</b>	-	88,652
<b>Foreign exchange translation</b>	<b>3,590</b>	-
<b>Settlement of flow-through share premium liability pursuant to incurring qualified expenditures</b>	-	(22,240)
<b>Balance - end of the year</b>	<b>\$ 91,633</b>	\$ 88,043

Summary of renunciations related to the tranches for flow through share issuances during the year ended December 31, 2019 and 2020 are as follows:

During the year ended December 31, 2020, CDN\$312,697 were spent in relation to the flow through shares issued during the year ended December 31, 2019.

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

As of the December 31, 2020, the gross proceeds of CDN\$ 242,645 remained unspent and will be incurred prior to December 31, 2021.

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

As of the December 31, 2020, the gross proceeds of CDN\$ 350,000 remained unspent and will be incurred prior to December 31, 2021.

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### Tranche 1 flow through share issued on September 18, 2020 for gross proceeds of CDN\$ 1,041,000

As of the December 31, 2020, the gross proceeds of CDN\$ 1,041,000 remained unspent and will be incurred prior to December 31, 2022.

On July 10, 2020, the Department of Finance Canada proposed, by news release, changes to the federal taxation system applicable to junior mining exploration and other flow through share issuers. The proposed changes seek to extend by 12 months the period in which to spend capital obtained by means of such share value due to impacts of Covid-19. On November 6, 2020, Finances Quebec issued an Information Bulletin announcing changes to various tax measures and harmonization with certain federal tax measures. This includes harmonization with the proposed changes by the federal government in the July 10, 2020 news release. It is expected these legislative changes will be in place in the near future.

#### 14. 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 to audited financial statements for the year ended December 31, 2019 “Basis of Presentation and Summary of Significant Accounting Policies” for details regarding the 2019 adoption of IFRS 16.

Effective October 1, 2020, the original lease term has been shortened to March 31, 2021. The modification of the lease term resulted in the reduction of the Right-of-use assets by \$38,007 (CDN\$50,519) and lease liability by \$40,962 (CDN\$54,447) and resulted in the recognition of a gain of \$2,955 (CDN\$3,928).

##### *Right-of-use assets*

A summary of the changes in the right-of-use assets for the year ended December 31, 2020 is as follow:

<b>Right-of-use assets</b>	
<b>Balance at January 1, 2019</b>	\$ –
<b>Addition</b>	<b>72,752</b>
<b>Depreciation</b>	<b>(3,148)</b>
<b>Balance at January 1, 2020</b>	<b>\$ 69,604</b>
<b>Addition</b>	<b>–</b>
<b>Lease modification</b>	<b>(38,007)</b>
<b>Depreciation</b>	<b>(19,611)</b>
<b>Balance at December 31, 2020</b>	<b>\$ 11,986</b>

##### *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 during the year ended December 31, 2020 is as follows:

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<b>Lease liabilities</b>	
Balance at January 1, 2019	\$ –
Addition	72,752
Lease payment on principal portion	(26,052)
Lease payments on interest portion	(1,210)
Lease liability accretion expense	1,210
Foreign exchange difference	511
Balance at January 1, 2020	\$ 47,211
Lease payment on principal portion	(4,569)
Lease liability accretion expense	6,055
Lease modification	(40,962)
Foreign exchange difference	(606)
Balance at December 31, 2020	\$ 7,129

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

<b>Future lease payments</b>	
2021	\$ 8,726
Total undiscounted lease payments	8,726
Less: imputed interest	(1,597)
Total carry value of lease obligations	\$ 7,129

## 15. 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 year ended December 31, 2020 and 2019.

## 16. Segmented disclosure

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

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

<b>SEGMENT DISCLOSURE (ROUNDED TO 000s)</b>	<b>Canada</b>	<b>United States</b>	<b>Total</b>
<b>December 31, 2020</b>			
<b>Long-term Assets</b>			
Advance payments for assets acquisition	\$ 152,000	\$ –	\$ 152,000
Deposit	\$ 5,000	\$ 5,000	\$ 10,000
Exploration and Evaluation Assets	\$ 986,000	\$ 1,616,000	\$ 2,602,000
Equipment	\$ –	\$ 74,000	\$ 74,000
Reclamation Deposit	\$ –	\$ –	\$ –
Right-of-use asset	\$ 12,000	\$ –	\$ 12,000
<b>December 31, 2019</b>			
<b>Long-term Assets</b>			
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

## 17. Commitment

In addition to the old office lease commitment ended March 31, 2021, the Company entered into a 3-year lease agreement for new office space in Vancouver on January 1, 2021. There are arrangements with other companies that share rent and office expense on a cost-recovery basis. The total commitment for the base rent for the new office space in Vancouver is as follows:

<b>Future lease payments for base rent</b>	
<b>2021</b>	<b>\$ 38,642</b>
<b>2022</b>	<b>39,930</b>
<b>2023</b>	<b>41,218</b>
<b>Total commitment for base rent</b>	<b>\$ 119,790</b>

The Company has commitment related to the issuance of flow through shares. See Note 13 for a discussion of flow through expenditure commitments related to exploration assets.

## 18. Income taxes

The following table reconciles the expected income taxes (recovery) at the Canadian statutory income tax rates to the amounts recognized in the statements of financial position as at December 31, 2020 and 2019.

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	December 31, 2020	December 31, 2019
Net loss and comprehensive loss for the year	\$ (357,837)	\$ (2,506,911)
Statutory income tax rate	27%	27%
Expected income tax (recovery)	(96,616)	(676,866)
Non-deductible (non-taxable) items and others	329,545	127,226
Tax effect of flow-through shares	65,935	175,885
Change in deferred tax asset not recognized	(298,864)	373,755
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, 2020 and 2019 are comprised of the following:

	December 31, 2020	December 31, 2019
Non capital loss carryforwards	\$ 40,312	\$ 22,059
Right-of-use assets	(3,236)	(18,793)
Marketable securities	(37,076)	(3,266)
	\$ -	\$ -

The unrecognized deductible temporary differences are as follows:

	December 31, 2020	December 31, 2019
Canada		
Non-capital loss carryforwards	\$ 9,857,745	\$ 9,538,825
Exploration and evaluation assets	7,931,950	8,258,571
Property and equipment	6,559	6,430
Investment tax credit	53,763	53,763
Lease liability	7,128	47,211
Warrant liability	2,082,153	443,486
Financing cost	399,281	203,489
Unrecognized deductible temporary differences	\$ 20,338,579	\$ 18,551,775
USA		
Federal net operating loss carryforwards	\$ 26,074,991	\$ 25,846,189
California net operating loss carryforwards	14,316,923	13,826,478
Property and equipment	82,339	87,623
Mineral property	712,587	637,840
Unrecognized deductible temporary differences	\$ 41,186,840	\$ 40,398,130

The Company has not recognized a deferred tax asset in respect of non-capital loss carryforwards of \$9,857,745 (2019 – \$9,538,825), 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:

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Year of Expiry	Taxable Loss
2026	\$ 1,226,526
2027	1,447,520
2028	914,451
2029	881,796
2030	568,965
2031	626,317
2032	838,766
2033	174,326
2035	114,059
2036	65,161
2037	74,336
2038	572,076
2039	1,148,960
2040	1,204,486
Total	\$ 9,857,745

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The Company has net operating loss carryforwards of \$26,074,991 (2019- \$25,846,189) which may be carried forward to apply against future year income tax for US tax purposes, as follows:

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Year of Expiry	Taxable Loss
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	1,717,782
Total	\$ 26,074,991

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The Company has California net operating loss carry forwards of \$14,316,923 (2019- \$13,826,478) which may be carried forward to apply against future year income tax for US tax purposes, as follows:

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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	552,081
2040	494,029
Total	\$ 14,316,923

#### 19. Events after the reporting period

##### a) New office leases

The Company entered into a new office lease effective January 1, 2021 (refer to note 17).

##### b) Expansion of Golden Arrow Property, NV

On January 12, 2021, the Company announced that it has staked an additional 137 unpatented mining claims at its Golden Arrow Property, NV (the “Property”). This increases the Property size to 17 patented claims and 494 unpatented claims controlled by the Company, or about 10,000 acres (4,050 hectares) in total area. The new claims extend the current property to the south covering an area of historic mine-workings.

##### c) Extension of warrants expiry dates

On February 23, 2021, the Company announces that, subject to regulatory approval, it is extending the exercise period for 7,906,717 outstanding share purchase warrants (the “Warrants”) as shown in the table below. The warrants were part of a private placement that occurred in three tranches on March 8, March 28, and April 26, 2019. The warrants will be extended by a 12-month period, as shown for each tranche. No warrants are held directly or indirectly by insiders of the Company.

Date of Issuance	Number of Warrants	Original Expiry		Exercise Price (CAD)
		Date	New Expiry Date	
March 8, 2019	5,447,900	March 8, 2021	March 8, 2022	\$ 0.17
March 28, 2019	650,000	March 28, 2021	March 28, 2022	\$ 0.17
April 26, 2019	1,808,817	April 26, 2021	April 26, 2022	\$ 0.17
Total:	7,906,717			\$ 0.17

##### d) Expiry of warrants

Subsequent to the year end, 230,800 share purchase warrants expired as follows:

On March 28, 2021, 52,000 share purchase warrants with an exercise price of CDN\$0.17 expired.

On April 5, 2021, 80,000 share purchase warrants with an exercise price of CDN\$0.20 expired.

On April 26, 2021, 98,800 share purchase warrants with an exercise price of CDN\$0.17 expired