

# EMGOLD MINING CORPORATION

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## EMGOLD - SECOND QUARTER RESULTS

**Emgold Mining Corporation** (EMR: TSX-V) (“Emgold”) announces its results for the six months ended June 30, 2005 (“fiscal 2005”). Emgold incurred a loss of US\$2,385,144 or a loss per share of US\$0.05, compared to a loss of US\$2,790,384 or a loss per share of US\$0.06 for the six months ended June 30, 2004 (“fiscal 2004”). The Company’s primary focus has been and continues to be the exploration and permitting of the Idaho-Maryland Property located near the City of Grass Valley in Nevada County, California, U.S.A., and the development and commercialization of the Ceramext™ Process.

- During fiscal 2005, cash used in operations was \$2,123,063 compared to \$2,616,314 in fiscal 2004.
- Exploration expenditures and acquisition of mineral property interests totalled \$747,945 in fiscal 2005, of which \$35,474 was capitalized, compared to \$2,143,707 in fiscal 2004, of which \$567,052 was capitalized. The Company expenses exploration costs on its mineral property interests. Exploration expenditures were incurred on the following mineral properties in fiscal 2005: Idaho-Maryland - \$706,952 (2004: \$1,561,465), Rozan - \$1,788 (2004 - \$3,177), Stewart – \$2,004 (2004 – \$12,013), and Jazz - \$1,727 (2004 – \$Nil).
- During fiscal 2005, the Company spent \$591,463 (2004 - \$599,832) on research and development of the Ceramext™ Process. Expenses incurred include prototype materials for research - \$42,201 (2004 – \$120,416); Ceramext™ technology royalties and amortization of licence fee and bench-scale research facility - \$72,939 (2004 - \$70,526); engineering costs which includes consultants, contractors, salaries and hourly labour - \$293,279 (2004 - \$253,781); consumable materials - \$38,804 (2004 - \$89,311); site costs - \$81,588 (2004 – \$52,041); sample preparation - \$26,441 (2004 - \$Nil) and transportation - \$4,662 (2004 - \$13,757). Stock-based compensation of \$28,489 for stock options granted in fiscal 2005 contributes to the total with no comparative expense in fiscal 2004. The technology licence fee and bench-scale research facility are amortized over a two-year period.

Emgold has applied for a Conditional Mine Use Permit (“CMUP”) to re-open and work the Idaho-Maryland Mine, subject to the conditions in the permit. The submitted applications were deemed complete on May 24, 2005, by the City of Grass Valley (the “City”). As the Lead Permitting Agency, the City initiates a California Environmental Quality Act (“CEQA”) review of the project applications. Once the permit is issued, the Company plans to dewater the existing mine workings and construct an underground access ramp (the “decline”) for underground exploration, confirmation drilling and sampling, as well as some mining to recover and produce gold identified in the shallower zones of the mine while allowing for the completion of a feasibility study possibly leading to full-scale gold production. The Company is sensitive to environmental concerns and to addressing those issues associated with industrial development proximate to an urban center.

The construction of a decline may also enable the production of ceramics from the development rock (the rock from the excavation of the decline). The CMUP application also includes provisions for Emgold to operate a Ceramext™ plant to produce ceramic building products, sales of which are projected to contribute significant revenue that could enhance the overall value of the integrated mining operation. The CMUP application contemplates the staged development of a gold mining and ceramics operation on a scale of up to 2,400 tons per day subject to the completion of a positive feasibility study and given a positive production decision. While the decline is being constructed, and during subsequent underground exploration, the Company expects that there could be some gold production. Initially, the Company plans to mine and toll mill any gold ore when sufficient gold bearing ore is defined as part of the development of the underground workings and any areas of deeper underground exploration.

## **Permitting Process**

In California, permitting is a well-defined process where companies work with the local community and governments. We believe we have a good working relationship with the local communities and to date have been successful in obtaining the permits we have applied for.

Responding to comments from the City of Grass Valley and preparation of all permitting applications and additional material as requested has been the main focus of the Company to date in fiscal 2005. This process of information exchange will likely continue throughout fiscal 2005 and 2006. The work associated with the application process will consume a significant amount of the Company's resources and there will be associated expenditures as the Company responds to requests made by the City of Grass Valley and other County, State and Federal regulatory authorities.

To date in fiscal 2005, the Company has been actively involved with the community. Booths and information sessions at fairs, markets and community centres have been organized and attended by interested parties. Issues of concern to the community are being addressed and communicated to all interested parties at these sessions. A website, [www.idaho-maryland.com](http://www.idaho-maryland.com), devoted to the Idaho-Maryland property, addresses community concerns regarding the impact of possible dewatering activities of existing mine workings, underground development, exploration and the possible operation of a mine on the community and the environment.

## **Exploration**

Emgold has currently identified up to 26 underground exploration targets, each having the potential to host a sizeable gold deposit based on historical and current drill data from the Idaho-Maryland. It is important to note that these additional exploration targets may only be fully defined by underground mining combined with underground exploration drill programs. Underground drilling cannot commence until the existing mine workings are dewatered and the excavation of decline has been initiated, which cannot begin until a CMUP is obtained. The Company intends to start mining for gold from shallow targets as well as to start further underground exploration activities during the excavation of the decline. Subject to the receipt of the CMUP and the availability of funding, these activities are scheduled to commence in Q1 2008 or before.

The Company's geologists are currently designing a Phase 3 surface drill program for late 2005 or in 2006. A drilling permit is required before any drilling can be undertaken. The Phase 3 program is presently expected to consist of up to 25,000 ft (7,620 m) of core drilling that may be conducted at up to 5 sites.

The Company is planning a future 425,000 ft (130,000 m) underground drill program to test the 26 exploration targets and 200 resource blocks that have been identified. Our current estimate is that the permitting process may take between 18 and 24 months from the time that the Final Applications were deemed complete by the City as Lead Agency, which was on May 24, 2005. This time estimate has been based on the permitting experiences of previous mining operations located in California.

Throughout the past two years, exploration geologists have been inputting the historic data from the mine into the mine modelling software. All the historical data is being digitized, checked and analyzed. It is the Company's objective to have the majority of the historic data entered into the modelling software by the end of the third quarter of fiscal 2005 ("Q3 2005").

## **Advancement of the Ceramext™ Process**

Emgold licensed the worldwide rights to the Ceramext™ technology because of its potential to provide a tailings management strategy and to contribute a significant revenue stream to the Idaho-Maryland Mine. The Company also believes there is a global business opportunity to create revenue from processing a wide range of other waste and naturally occurring materials to produce high quality ceramic building materials.

The Ceramext™ hot vacuum extrusion process should be able to use a very wide range of siliceous feedstocks that would normally be considered waste materials. These include not only mine development rock and mine tailing materials, such as those from the Idaho-Maryland project, but also coal and lignite fly ash which is generated primarily from power plants, incinerator and wood ash, waste earth materials, and a variety of other silicates. Many of these feedstocks have been tested using our pilot-scale plants, some yielding very positive results.

The Idaho-Maryland feedstock has been used to produce high quality ceramic material, as has fly ash and other materials from mining and industrial sites throughout North America. The testing of feedstock materials is ongoing in conjunction with equipment design and product development.

The Ceramext™ Process is expected to be capable of producing high quality ceramics at approximately 30-40% less cost than other conventional ceramic processes. Savings are expected from the process by more efficient use of energy and the lower cost of feedstocks.

The Company is in the process of preparing a marketing study to form part of the feasibility study to support the decision to produce ceramic building materials. Emgold anticipates completing the initial marketing studies by 2006, as an integral component in preparing feasibility studies and the commercialization of the Ceramext™ Process for the Idaho-Maryland Mine and other potential projects. The Company is also in negotiations with other mining companies and industrial companies who have expressed interest in using the Ceramext™ technology to treat their tailings and/or waste products. The Company expects to have several Memoranda of Understanding and/or Joint Ventures in place with operators by the end of Q4 2005.

Emgold has expended US\$374,325 in Q2 2005 compared to US\$385,461 in Q2 2004 on the licensing, bench-scale model and related research on the Ceramext™ Process. Included in the costs in each quarter is amortization of the original acquisition of the license fee on the process.

During Q2 2005, Emgold expended US\$305,580 in exploration costs on the Idaho-Maryland Property compared to US\$858,618 in Q2 2004. Administrative expenditures totalled US\$651,362 in Q2 2005 compared to US\$365,684 in Q2 2004. Expenses in fiscal 2005 reflect increased staffing levels, compared to total expenditures in fiscal 2004.

For more information about Emgold, the Stewart, Rozan and Jazz Properties in British Columbia, the Idaho-Maryland Project and the Ceramext™ Process, please visit [www.emgold.com](http://www.emgold.com) or [www.sedar.com](http://www.sedar.com).

On behalf of the Board of Directors,

**William J. Witte, P.Eng.**  
**President and Chief Executive Officer**

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*No regulatory authority has approved or disapproved the information contained in this news release.*

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