

**EMGOLD MINING CORPORATION**  
(an exploration stage company)  
**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**For the three and six months ended June 30, 2008 and 2007**  
(expressed in United States dollars)

**The Company's independent auditor has not performed a review of these interim consolidated financial statements.**

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**EMGOLD MINING CORPORATION**

(an exploration stage company)

Interim Consolidated Balance Sheets

(expressed in United States dollars)

	<b>June 30, 2008</b>	<b>December 31, 2007</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 165,877	\$ 176,881
Short-term investments	2,260,469	4,640,637
Accounts receivable	56,828	103,147
Due from related party (note 7)	365,198	100,493
Prepaid expenses and deposits	317,303	260,463
	<b>3,165,675</b>	<b>5,281,621</b>
<b>Other</b>	<b>7,865</b>	<b>8,061</b>
<b>Equipment</b> (note 5)	<b>216,085</b>	<b>274,565</b>
<b>Mineral property interests</b> (note 3)	<b>962,448</b>	<b>942,448</b>
	<b>\$ 4,352,073</b>	<b>\$ 6,506,695</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 242,551	\$ 325,924
Due to related parties (note 7)	321,242	386,369
Capital lease obligation (note 4)	5,976	5,843
	<b>569,769</b>	<b>718,136</b>
<b>Capital lease obligation</b> (note 4)	<b>22,670</b>	<b>25,661</b>
<b>Preference shares</b> (notes 6 and 7)	<b>735,320</b>	<b>750,624</b>
	<b>1,327,759</b>	<b>1,494,421</b>
<b>Shareholders' equity</b>		
Common shares	38,397,699	38,231,882
Preference shares (note 6)	90,902	90,902
Warrants	3,021,773	3,049,862
Contributed surplus	3,193,147	2,972,267
Deficit	(41,101,751)	(38,755,183)
Accumulated other comprehensive income	(577,456)	(577,456)
	<b>3,024,314</b>	<b>5,012,274</b>
	<b>\$ 4,352,073</b>	<b>\$ 6,506,695</b>

**Basis of presentation and operations** (note 1)

**Commitments** (note 4)

See accompanying notes to interim consolidated financial statements.

Approved by the Directors

"Robin A. W. Elliott"  
Director

"Sargent H. Berner"  
Director

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## EMGOLD MINING CORPORATION

(an exploration stage company)

Interim Consolidated Statements of Operations and Deficit

(expressed in United States dollars)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2008	2007	2008	2007
<b>Expenses</b>				
Amortization	\$ 11,443	\$ 22,677	\$ 23,063	\$ 45,403
Accretion of debt portion of preference shares	3,400	3,123	6,814	6,049
Ceramex <sup>®</sup> expenses (note 9)	94,733	157,650	198,965	326,792
Exploration expenses (note 8)	624,679	553,728	1,232,131	1,257,400
Foreign exchange loss (gain)	(29,640)	11,493	83,699	14,401
Finance expense	14,357	13,362	28,794	25,939
Legal, accounting and audit	43,215	63,927	69,702	86,951
Management and consulting fees	41,790	9,710	114,780	18,699
Office and administration	101,042	84,439	188,137	165,479
Other consulting	--	4,294	--	18,844
Salaries and benefits	93,257	124,531	175,473	258,933
Stock-based compensation	167,966	--	167,966	--
Shareholder communications	48,568	63,246	89,708	125,942
Travel	12,851	44,181	16,140	68,044
	1,227,661	1,156,361	2,395,372	2,418,876
<b>Other income</b>				
Interest income	(12,580)	(9,427)	(48,804)	(28,220)
Gain on sale of equipment	--	(3,298)	--	(3,298)
<b>Loss for the period</b>	(1,215,081)	(1,143,636)	(2,346,568)	(2,387,358)
Recovery of future income taxes	--	--	--	248,051
<b>Loss for the period</b>	(1,215,081)	(1,143,636)	(2,346,568)	(2,139,307)
<b>Deficit, beginning of period</b>	(39,886,670)	(33,914,725)	(38,755,183)	(32,919,054)
<b>Deficit, end of period</b>	\$ (41,101,751)	\$ (35,058,361)	\$ (41,101,751)	\$ (35,058,361)
<b>Loss per share – basic and diluted</b>	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.03)
Weighted average number of common shares outstanding	157,337,774	83,759,406	157,081,389	83,759,406
Total common shares outstanding at end of period	157,519,642	83,759,406	157,519,642	83,759,406

Interim Statements of Comprehensive Income

	Three months ended June 30, 2008	Three months ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2007
<b>Loss for the period before comprehensive income</b>	\$ (1,215,081)	\$ (1,143,636)	\$ (2,346,568)	\$ (2,139,307)
Other comprehensive income	--	--	--	--
<b>Comprehensive loss for the period</b>	\$ (1,215,081)	\$ (1,143,636)	\$ (2,346,568)	\$ (2,139,307)

See accompanying notes to interim consolidated financial statements.

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## EMGOLD MINING CORPORATION

(an exploration stage company)

Interim Consolidated Statements of Shareholders' Equity

Six months ended June 30, 2008

(expressed in United States dollars)

	Common Shares Without Par Value		Preference Shares	Warrants	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total Shareholders' Equity
	Shares	Amount						
Balance, December 31, 2006	83,759,406	\$33,062,945	\$90,902	\$1,085,434	\$2,412,930	\$(577,456)	\$(32,919,054)	\$3,155,701
Future income tax – flow through shares	--	(221,734)	--	--	--	--	--	(221,734)
Private placement at Cdn\$0.11 less share issue costs	72,730,236	5,390,671	--	1,964,428	--	--	--	7,355,099
Stock based compensation	--	--	--	--	559,337	--	--	559,337
Loss for the year	--	--	--	--	--	--	(5,836,129)	(5,836,129)
Balance, December 31, 2007	156,489,642	38,231,882	90,902	3,049,862	2,972,267	(577,456)	\$(38,755,183)	5,012,274
Loss for the period	--	--	--	--	--	--	(2,346,568)	(2,346,568)
Warrants exercised	392,500	67,553	--	(18,671)	--	--	--	48,882
Agents' warrants exercised	550,000	79,048	--	(9,418)	--	--	--	69,630
Stock options granted	--	--	--	--	227,081	--	--	227,081
Stock options exercised	87,500	19,216	--	--	(6,201)	--	--	13,015
Balance, June 30, 2008	157,519,642	\$38,397,699	\$90,902	\$3,021,773	\$3,193,147	\$(577,456)	\$(41,101,751)	\$3,024,314

See accompanying notes to interim consolidated financial statements.

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## EMGOLD MINING CORPORATION

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Interim Consolidated Statements of Cash Flows

(expressed in United States dollars)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2008	2007	2008	2007
<b>Cash provided by (used for):</b>				
<b>Operations:</b>				
Loss for the period	\$ (1,215,081)	\$ (1,143,636)	\$ (2,346,568)	\$ (2,139,307)
Items not involving cash				
Amortization	30,811	43,222	63,648	86,493
Gain on sale of fixed asset	--	(3,298)	--	(3,298)
Accretion of debt component of preference shares	3,400	3,123	6,814	6,049
Unrealized foreign exchange loss (gain)	3,651	53,635	(21,925)	59,483
Recovery of future income tax	--	--	--	(248,051)
Stock-based compensation	227,081	--	227,081	--
Changes in non-cash operating working capital				
Accounts receivable	7,073	(3,114)	46,319	(25,159)
Due to/from related parties	3,274	236,440	(329,832)	368,857
Prepaid expenses and deposits	(3,825)	(83,496)	(56,840)	(54,654)
Accounts payable and accrued liabilities	(120,413)	81,992	(83,373)	180,124
Capital lease obligations	--	--	--	--
	(1,064,029)	(815,132)	(2,494,676)	(1,769,463)
<b>Investing activities:</b>				
Mineral property acquisition costs	(20,000)	(15,000)	(20,000)	(15,094)
Equipment additions	(5,165)	643	(5,165)	(18,568)
Purchase of short term investments	813,082	344,635	2,380,168	(538,788)
Proceeds on disposition of prototype equipment	--	10,000	--	10,000
	787,917	340,278	2,355,003	(562,450)
<b>Financing activities:</b>				
Common shares issued for cash	59,562	--	131,527	--
Deferred share issue costs	--	(18,929)	--	(18,929)
Capital lease payments	(1,441)	(1,964)	(2,858)	(1,964)
	58,121	(20,893)	128,669	(20,893)
Decrease in cash and cash equivalents during the period	(217,991)	(495,747)	(11,004)	(2,352,806)
Cash, beginning of period	383,868	647,318	176,881	2,504,377
Cash, end of period	\$ 165,877	\$ 151,571	\$ 165,877	\$ 151,571

See accompanying notes to interim consolidated financial statements

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## **EMGOLD MINING CORPORATION**

(an exploration stage company)

Notes to Interim Consolidated Financial Statements

Six months ended June 30, 2008 and 2007

(expressed in United States dollars)

### **1. Basis of presentation and operations:**

The accompanying consolidated financial statements for the three-month and six-month periods ended June 30, 2008 and 2007, have been prepared using Canadian generally accepted accounting principles ("Canadian GAAP") and are unaudited, but in the opinion of management, reflect all adjustments (consisting of normal recurring accruals) necessary for the fair presentation of the financial position, results of operations and cash flows for the interim periods presented. The consolidated financial statements for the interim periods are not necessarily indicative of the results to be expected for the full year and have been prepared using Canadian GAAP applicable to a going concern.

These consolidated financial statements do not contain the detail or footnote disclosure concerning accounting policies and other matters, which would be included in full year financial statements, and therefore should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2007.

As at June 30, 2008, the Company has no source of operating cash flow and has an accumulated deficit of \$41,101,751. In addition, the Company has working capital, which is defined as current assets less current liabilities, of \$2,595,906 and has capitalized \$962,448 in acquisition costs related to the Rozan, Stewart, Jazz and Idaho-Maryland mineral property interests. The Company had a loss of \$1,215,081 for the three-month period ended June 30, 2008 and a loss of \$2,346,568 for the six-month period ended June 30, 2008. Operations for the three-month and six-month periods ended June 30, 2008, have been funded primarily from the redemption of the Company's short-term investments.

The Company is in the process of exploring its mineral property interests and has not yet determined whether its mineral property interests contain mineral reserves that are economically recoverable. The Company's continuing operations and the underlying value and recoverability of the amounts shown for mineral property interests are entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its mineral property interests and on future profitable production or proceeds from the disposition of the mineral property interests or other interests.

The Company's current financial position and forecast cash flow requirements for the next year to meet its mineral property requirements and corporate requirements indicate that there is substantial doubt about the ability of the Company to continue as a going concern.

The Company's ability to continue operations is contingent on its ability to obtain additional financing. Management is confident that it will be able to secure the necessary financing; however, there is no assurance that management will be successful in achieving this objective.

These consolidated financial statements do not reflect adjustments to the amounts of assets and liabilities, the reported revenues and expenses and balance sheet classifications that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

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## **EMGOLD MINING CORPORATION**

(an exploration stage company)

Notes to Interim Consolidated Financial Statements

Six months ended June 30, 2008 and 2007

(expressed in United States dollars)

### **2. Accounting policies:**

The accounting policies followed by the Company are set out in note 2 to the audited consolidated financial statements for the year ended December 31, 2007, and have been consistently followed in the preparation of these financial statements except that the Company has adopted the following Canadian Institute of Chartered Accountants guidelines effective for the Company's first interim period commencing January 1, 2008:

#### *a) Capital disclosures*

CICA handbook section 1535, "Capital Disclosures", establishes standards for disclosing information about the Company's capital and how it is managed including (i) an entity's objectives, policies and processes for managing capital, (ii) quantitative data about what an entity considers capital, (iii) whether the entity is in compliance with capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

#### *b) Financial instruments disclosures*

The CICA issued handbook section 3862, "Financial Instruments – Disclosure" and section 3863 "Financial Instruments – Presentation" which are effective for fiscal years beginning on or after October 1, 2007. CICA handbook section 3862, "Financial Instruments – Disclosures", requires entities to provide disclosure of quantitative and qualitative information in their financial statements. This information enables users to evaluate the significance of financial instruments on the Company's operations and the nature and extent of risks arising from financial instruments to which the Company is exposed during the period and at the balance sheet date. The Company will be required to disclose the measurement bases used for its financial instruments as well as the criteria used to determine the classification for different types of instruments.

The purpose of CICA handbook section 3863 "Financial Instruments – Presentation" is to enhance the financial statement users' understanding of the significance of financial instruments to the Company's financial position, performance and cash flows.

#### *c) General standards on financial statement presentation*

CICA handbook section 1400, "General Standards on Financial Statement Presentation", has been amended to include requirements to assess and disclose a Company's ability to continue as a going concern. The changes were effective for interim and annual financial statements beginning January 1, 2008.



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Notes to Interim Consolidated Financial Statements

Six months ended June 30, 2008 and 2007

(expressed in United States dollars)

### **3. Mineral property interests:**

The acquisition costs of the Company's interests in mineral properties owned or under option, consist of the following:

<b>Mineral property acquisition costs</b>	<b>June 30, 2008</b>	<b>December 31, 2007</b>
Idaho-Maryland Property, California	\$ 589,276	\$ 589,276
Porph Claims, British Columbia	6,910	6,910
Rozan Gold Property, British Columbia	120,821	120,821
Jazz Property, British Columbia	75,169	55,169
Stewart Property, British Columbia	170,272	170,272
	<b>\$ 962,448</b>	<b>\$ 942,448</b>

#### **Idaho-Maryland Property, California**

The term of the initial lease on the Idaho-Maryland property, as amended in fiscal 2002 was for a period of five years, commencing on June 1, 2002, and ending on May 31, 2007. The owners granted the Company the exclusive right and option to purchase all of the leased property. The property is subject to a 3% Net Smelter Royalty ("NSR") from production if the property is still being leased. Any royalty payments made prior to exercising the purchase option may be deducted from the purchase price. Lease payments of \$25,500 were payable quarterly until February 1, 2007, as amended. In February 2007, for a one-time payment of \$75,000 the Company negotiated an extension to the initial amended lease, whereby the exercise date was extended from May 31, 2007 to December 31, 2008. The Company agreed to a quarterly lease payment of \$75,000 beginning on May 1, 2007, and continuing for the term of the revised lease. All other conditions of the original agreement, including the option purchase price and NSR remain unchanged.

Provided that payments are kept current, the Company may purchase the property at any time. The purchase price for 2008 is \$5,194,127, and is increased by 3% each lease-year.

#### **Rozan Gold Property, British Columbia**

In 2000, the Company entered into an option agreement to acquire the rights to the Rozan Gold Property, a prospect located south of the community of Nelson in the Red Mountain area of south-eastern British Columbia. The Company earned a 100% interest in the property by making stepped payments totalling Cdn\$100,000 and issuing 200,000 common shares. The property is subject to a 3.0% NSR. The Company has the right to purchase 66% of the royalty for the sum of Cdn\$1,000,000 and has the first right of refusal to purchase the remaining 33%.

#### **Jazz Property, British Columbia**

In April 2004, the Company entered into an option agreement to acquire a 100% interest in the Jazz Property consisting of 24 mineral claims located in the Nelson Mining Division near Nelson, British Columbia. Under the terms of the agreement, the Company has agreed to make stepped cash payments totalling \$215,000 (\$65,000 paid to date) to the optioner over a ten-year period. Upon completion of the above cash payments, the Company will earn the exclusive right and option to earn 100% interest in the property, subject only to the payment to the optioner of a 3.0% NSR and the completion of Cdn\$75,000 in exploration work on the

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## **EMGOLD MINING CORPORATION**

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Notes to Interim Consolidated Financial Statements

Six months ended June 30, 2008 and 2007

(expressed in United States dollars)

property within two years from the date of the agreement (completed). The Company will have the right to purchase 66% of the NSR from the optioner for \$1,000,000 at any time up to and including the commencement of commercial production.

### **Stewart Property, British Columbia**

Pursuant to an option agreement entered into in 2001 and amended in 2006, the Company acquired the rights to the Stewart mineral claims, a prospect located close to Nelson in south eastern British Columbia. The Company will earn a 100% interest in the property by making payments totalling Cdn\$104,000 (Cdn\$80,000 paid to date) and issuing 260,000 common shares (issued). The Company is vested with 100% right, title and interest in and to the property, subject only to a 3% NSR payable to the optioners. The Company has the right to purchase 66% of the royalty for the sum of Cdn\$1,000,000 and has the first right of refusal to purchase the remaining 33%.

### **Porph Claims, British Columbia**

The Company has staked six claims contiguous to the Stewart Property located near Nelson in south-eastern British Columbia.

#### **4. Capital lease obligation:**

The Company leases a vehicle under a capital lease which expires in 2012 and bears simple interest at a rate of 8.69%. At June 30, 2008, future minimum lease payments under capital leases are \$28,646, including \$8,364 of anticipated interest payments, payable monthly. The current portion is \$5,976.

#### **5. Property and equipment:**

<b>June 30, 2008</b>	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>
Plant and field equipment	\$ 249,472	\$ 171,670	\$ 77,802
Office furniture and equipment	77,916	49,093	28,823
Research equipment	163,466	95,080	68,386
Computer hardware and software	126,527	111,021	15,506
Leasehold improvements	127,324	125,056	2,268
Vehicle – held under capital lease	38,833	15,533	23,300
<b>Total</b>	<b>\$ 783,538</b>	<b>\$ 567,453</b>	<b>\$ 216,085</b>

<b>December 31, 2007</b>	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>
Plant and field equipment	\$ 249,472	\$ 146,719	\$ 102,753
Office furniture and equipment	77,018	41,675	35,343
Research equipment	163,466	78,732	84,734
Computer hardware and software	122,260	102,721	19,539
Leasehold improvements	127,324	122,311	5,013
Vehicle – held under capital lease	38,833	11,650	27,183
<b>Total</b>	<b>\$ 778,373</b>	<b>\$ 503,808</b>	<b>\$ 274,565</b>

Research equipment is being used for research and development of the Ceramext® Process.

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## **EMGOLD MINING CORPORATION**

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Notes to Interim Consolidated Financial Statements

Six months ended June 30, 2008 and 2007

(expressed in United States dollars)

### **6. Share capital:**

#### **Authorized**

Unlimited number of common shares without par value

Unlimited number of first preference shares without par value

#### **Preference shares**

<b>Equity portion of Class A Preference Shares</b>	<b>Number of Shares</b>	<b>Amount</b>
Balance, December 31, 2007	3,948,428	\$ 90,902
Balance, June 30, 2008	3,948,428	90,902
<b>Debt Portion of Class A Preference Shares</b>	<b>June 30, 2008</b>	<b>December 31, 2007</b>
Balance, beginning of period	\$ 750,624	\$ 626,724
Accretion of debt	6,814	12,822
Foreign exchange (gain) / loss on debt	(22,118)	111,078
	(15,304)	123,900
Balance, end of period	\$ 735,320	\$ 750,624

The Class A Convertible Preference Shares have no fixed term, rank in priority to the Company's common shares and are entitled to fixed cumulative preferential dividends at a rate of 7% per annum. The shares are redeemable by the Company at any time after 30 days written notice at a redemption price of Cdn\$0.20 per share, but are redeemable by the holder only out of funds available that are not, in the Company's opinion, otherwise required for the development of the Company's mineral property interests or to maintain a minimum of Cdn\$2,000,000 in working capital.

The Class A Convertible Preference Shares are convertible, at the option of the holder, into common shares at any time at a ratio of one common share for every four Class A Convertible Preference Shares. The Preference Shares also have attached a gold redemption feature by which holders may elect at the time of any proposed redemption to receive gold valued at \$300 per ounce in lieu of cash, provided the Company has on hand at the time, gold having an aggregate value of not less than the redemption amount.

The value of the convertible preference shares was split into a debt component and an equity component. This resulted in \$90,902 being included in equity. The debt portion of the preference shares fluctuates due to both accretion and fluctuations in the Canadian to U.S. dollar exchange rate. At June 30, 2008, \$303,204 (December 31, 2007 - \$284,146) has been accrued in due to related parties in relation to the 7% fixed cumulative preferential dividends. Dividends payable on the preference shares are recorded when they are declared by the Board of Directors, but will remain unpaid until the Company has the resources to do so. The debt portion of the convertible preference shares is being accreted over ten years from inception. This period is based on management's best estimate of the life of the convertible preference shares, and is reassessed annually.

#### **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

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Six months ended June 30, 2008 and 2007

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outstanding common shares, or 15,710,964 common shares. During the six-month period ended June 30, 2008, 75,000 stock options expired with exercise prices between \$0.90 and \$1.00 and 82,500 stock options were exercised by an officer of the Company with an exercise price of \$0.15. At June 30, 2008, 15,635,500 stock options were outstanding, exercisable for periods up to ten years.

On May 12, 2008, the Company granted 1,900,000 stock options to employees at an exercise price of \$0.20, with an expiry date of May 12, 2013. The fair value of the stock options granted was estimated on the date of grant using a Black-Scholes option-pricing model with weighted average assumptions as follows: risk-free interest rate – 3.60%; expected life – 4.1 years; expected volatility – 78%; and a weighted average fair value per option granted of Cdn\$0.12. The options vested immediately under the Company's 2005 10% rolling Stock Option Plan.

On May 12, 2008, the Company also granted 200,000 stock options to a consultant at an exercise price of \$0.20, with an expiry date of May 12, 2013. The fair value of the stock option granted was estimated on the date of grant using a Black-Scholes option-pricing model with weighted average assumptions as follows: risk-free interest rate – 3.60%; expected life – 4.1 years; expected volatility – 78%; and a weighted average fair value per option granted of \$0.12. The options vest straight-line over a 12 month-period.

The following table summarizes information about the stock options outstanding at June 30, 2008:

<b>Exercise Price</b>	<b>Number Outstanding and Exercisable at June 30, 2008</b>	<b>Weighted Average Remaining Contractual Life</b>
Cdn\$0.25	170,000	1.15 years
Cdn\$0.10	428,000	3.53 years
Cdn\$1.00	2,410,000	5.52 years
Cdn\$0.90	1,745,000	6.19 years
Cdn\$0.36	160,000	2.24 years
Cdn\$0.29	820,000	3.65 years
Cdn\$0.15	7,802,500	4.45 years
Cdn\$0.20	2,100,000	4.88 years
	<b>15,635,500</b>	<b>4.85 years</b>

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Notes to Interim Consolidated Financial Statements

Six months ended June 30, 2008 and 2007

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### **Share purchase warrants**

As at June 30, 2008, the following share purchase warrants were outstanding:

<b>Number of Warrants</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
713,100	Cdn\$1.00	September 15, 2008
14,344,105	Cdn\$0.40	December 6, 2008
1,119,000	Cdn\$0.50	December 6, 2008
179,040	Cdn\$0.26	December 6, 2008
1,147,529	Cdn\$0.26	December 6, 2008
89,520*	Cdn\$0.50	December 6, 2008
1,147,529*	Cdn\$0.40	December 6, 2008
54,519,569	Cdn\$0.15	September 27, 2009
3,393,323	Cdn\$0.11	March 27, 2009
3,393,323*	Cdn\$0.15	March 27, 2009
7,358,000	Cdn\$0.15	October 5, 2009
416,080	Cdn\$0.11	April 5, 2009
416,080*	Cdn\$0.15	April 5, 2009
11,010,167	Cdn\$0.15	October 12, 2009
622,400	Cdn\$0.11	April 12, 2009
622,400*	Cdn\$0.15	April 12, 2009
	<b>Weighted Average Exercise Price: Cdn\$0.20</b>	
<b>100,491,165</b>		

\*Reserved for underlying warrants upon the exercise of broker and finder's warrants.

The following table summarizes warrant transactions for the year ended December 31, 2007 and the six-month period ended June 30, 2008.

	<b>Shares</b>	<b>Weighted Average Exercise Price (Cdn\$)</b>
Balance, December 31, 2006	37,099,823	\$0.56
Cancelled	(18,360,000)	\$0.70
Granted	82,693,842	\$0.15
Balance, December 31, 2007	101,433,665	\$0.20
Exercised	(942,500)	\$0.12
Balance, June 30, 2008	100,491,165	\$0.20

During the six months ended June 30, 2008, 392,500 warrants were exercised at an exercise price of \$0.15 and 550,000 agent's warrants were exercised at a price of \$0.11.

**The Company's independent auditor has not performed a review of these interim consolidated financial statements.**

## **EMGOLD MINING CORPORATION**

(an exploration stage company)

Notes to Interim Consolidated Financial Statements

Six months ended June 30, 2008 and 2007

(expressed in United States dollars)

### **7. Related party transactions and balances**

Related party balances are non-interest bearing and are due on demand, with no fixed terms of repayment, with the exception of preference shares (note 6).

<b>Balances receivable from (d):</b>	<b>June 30, 2008</b>	<b>December 31, 2007</b>
LMC Management Services Ltd. (a)	\$ 365,198	\$ 100,493
Other		
<b>Balances payable to:</b>		
Directors, officers and employees	\$ 321,242	\$ 386,369

Related party transactions in these interim consolidated financial statements are as follows:

- (a) During the six months ended June 30, 2008, \$225,032 (2007 - \$216,599) was incurred in management, administrative, geological and other services provided by LMC Management Services Ltd. ("LMC"), a private company held jointly by the Company and other public companies, to provide services on a full cost recovery basis to the various public entities currently sharing office space with the Company. Currently, the Company has a 25% interest in LMC. Three months of estimated working capital is required to be on deposit with LMC under the terms of the services agreement. There is no difference between the cost of \$1 and equity value, as LMC does not retain any profits in connection with the services it provides.
- (b) Consulting fees of \$41,919 (2007 - \$18,698) were paid directly to Kent Avenue Consulting Ltd., a private company controlled by a director, Sargent H. Berner. Consulting fees of \$34,916 (2007 - \$Nil) were also paid directly to 759924 Ontario Ltd., a private company controlled by a director, Kenneth Yurichuk.
- (c) Lang Mining Corporation ("Lang Mining") is a private company controlled by Frank A. Lang, a significant shareholder of the Company. Mr. Lang and Lang Mining Corporation are the holders of preference shares, which are described in note 6.
- (d) Related party balances are non-interest bearing and are due on demand, with no fixed terms of repayment, except for preference shares, which are described in note 6.

The Company's independent auditor has not performed a review of these interim consolidated financial statements.

## EMGOLD MINING CORPORATION

(an exploration stage company)

Notes to Interim Consolidated Financial Statements

Six months ended June 30, 2008 and 2007

(expressed in United States dollars)

### 8. Exploration expenses:

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
<b>Idaho-Maryland Mine, California</b>				
<b>Exploration costs</b>				
Assays and analysis	\$ --	\$ 59	\$ --	\$ 59
Community relations	32,420	17,879	39,243	25,471
Geological and geochemical	122,149	121,007	242,957	251,192
Land lease and taxes	75,000	75,000	153,010	176,844
Mine planning	287,133	272,560	504,312	691,502
Site activities	47,612	65,387	161,724	121,774
Stock-based compensation	59,115	--	59,115	--
Transportation	593	1,033	6,192	2,006
Incurring during the period	624,022	552,925	1,166,553	1,268,848
<b>Rozan Property, British Columbia</b>				
<b>Exploration costs</b>				
Geological and geochemical	15	431	22,678	860
Site activities	52	194	95	251
Assistance and recoveries	--	--	900	(294)
Incurring during the period	67	625	23,673	817
<b>Stewart Property, British Columbia</b>				
<b>Exploration costs</b>				
Geological and geochemical	283	(105)	30,029	37
Site activities	149	153	158	157
Assistance and recoveries	--	--	11,079	(12,465)
Incurring during the period	432	48	41,266	(12,271)
<b>Jazz Property, British Columbia</b>				
<b>Exploration costs</b>				
Geological and geochemical	113	99	479	269
Site activities	45	31	160	44
Assistance and recoveries	--	--	-	(307)
Incurring during the period	158	130	639	6
<b>Exploration costs incurred during the period</b>	<b>\$ 624,679</b>	<b>\$ 553,728</b>	<b>\$ 1,232,131</b>	<b>\$ 1,257,400</b>

The Company's independent auditor has not performed a review of these interim consolidated financial statements.

## EMGOLD MINING CORPORATION

(an exploration stage company)

Notes to Interim Consolidated Financial Statements

Six months ended June 30, 2008 and 2007

(expressed in United States dollars)

9. **Ceramext® expenses:**

	Three months ended		Six months ended	
	June 30,		June 30,	
	2008	2007	2008	2007
<b>Ceramext® expenses</b>				
Amortization of equipment	\$ 19,090	\$ 19,754	\$ 39,382	\$ 41,809
Ceramext® technology royalties	40,000	20,000	80,000	40,000
Consulting and legal fees	35,154	--	54,691	1,407
Office and administration	--	82,386	23,822	170,935
Site costs	--	33,489	--	64,800
Other	489	2,021	1,070	7,841
<b>Incurring during the period</b>	<b>\$ 94,733</b>	<b>\$ 157,650</b>	<b>\$ 198,965</b>	<b>\$ 326,792</b>