

# **EMGOLD MINING CORPORATION**

**(AN EXPLORATION STAGE COMPANY)**

**UNAUDITED CONDENSED**

**CONSOLIDATED INTERIM FINANCIAL**

**STATEMENTS**

**FOR THE PERIOD ENDED 30 SEPTEMBER 2019 AND  
2018**

Stated in US Dollars

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**NOTICE TO READER**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The unaudited condensed interim financial statements have been prepared using accounting policies in compliance with International Financial Reporting Standards for the preparation of the condensed interim financial statements and are in accordance with IAS 34 – *Interim Financial Reporting*.

The Company's independent auditor has not performed a review of these unaudited condensed interim financial statements in accordance with standards established by the Canadian Chartered Professional Accountants for a review of interim financial statements by an entity's auditor.

**EMGOLD MINING CORPORATION**

US Dollars

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**

	Note	As at	
		September 30 2019	December 31 2018
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 63,201	\$ 203,042
Amounts receivable		111,863	51,094
Assets held for sale	5	–	154,452
Marketable Securities	4	823,720	2,061,648
Prepaid expenses		320,109	9,261
		<b>1,318,893</b>	<b>2,479,497</b>
<b>Non-current assets</b>			
Reclamation bonds		25,253	16,910
Deposit		4,500	4,500
Equipment	10	1,069	–
Exploration and evaluation assets	6	1,969,162	1,131,983
		<b>1,999,984</b>	<b>1,153,393</b>
<b>Total assets</b>		<b>\$ 3,318,877</b>	<b>\$ 3,632,890</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		380,176	478,438
Flow-through share premium liability	9	14,059	21,631
Due to related parties	7	384,965	441,134
Warrant liability	8	304,882	371,646
		1,084,082	1,312,849
<b>EQUITY</b>			
Share capital	8	46,742,866	45,622,784
Subscription Receipt		15,002	–
Warrants - reserve		815,001	701,802
Options - reserve		7,365,022	7,215,227
Accumulated Deficit		(52,703,096)	(51,219,772)
		<b>2,234,795</b>	<b>2,320,041</b>
<b>Total liabilities and equity</b>		<b>\$ 3,318,877</b>	<b>\$ 3,632,890</b>

*Nature of operations and going concern (Note 1)*  
*Events after the Reporting Period (Note 14)*

Approved and authorized for issuance by the board of directors on November 27, 2019

"David Watkinson"  
David Watkinson, Director

Andrew MacRitchie  
Andrew MacRitchie, Director

## CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME

	Note	Three months ended September 30,		Nine months ended September 30,	
		2019	2018	2019	2018
<b>EXPENSES</b>					
<b>Exploration and Evaluation</b>					
Resource property expense	6	\$ 241,385	\$ 283,718	\$ 801,287	\$ 296,644
<b>General and Administrative</b>					
Advertising and promotion		103,012	–	117,176	–
Amortization		45	–	135	–
Management and consulting		295,232	157,492	676,394	266,798
Listing and filing fees		19,435	15,685	41,540	33,143
Professional fees		51,433	66,428	123,943	94,565
Office and administration		9,233	7,527	20,325	28,512
Rent		17,761	9,380	31,671	13,880
Share based compensation		–	–	149,795	–
Shareholder communication		–	(4)	–	469
Insurance		9,268	2,147	18,239	6,519
Banking costs		4,185	661	4,874	756
Travel		28,263	18,471	81,756	18,471
Net Loss and Comprehensive Loss Before Other Items		(779,252)	(561,505)	(2,067,135)	(759,757)
Sublet income		4,350	3,600	11,550	7,200
Amortization of flow-through share premium liability	9	3,899	33,123	11,421	33,123
Financing charges		–	(15,522)	(11,105)	(17,814)
Foreign exchange gain		16,167	7,299	39,657	15,341
Gain on disposition of assets		–	–	9,504	–
Gain on disposition of marketable securities		134,500	–	137,690	–
Fair value adjustment for marketable securities		(467,084)	–	(231,080)	–
Unrealized gain on warrant liability		338,528	–	616,174	–
Loss and comprehensive loss		(748,892)	(533,005)	(1,483,324)	(721,907)
<b>Earnings per share, basic and diluted</b>		(0.02)	(0.03)	(0.03)	(0.06)
<b>Weighted average number of common shares outstanding</b>		46,935,329	17,421,439	44,810,648	11,371,998

US Dollars

## CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

	Number of Outstanding		Subscription Receipts	Number of Outstanding		Reserves		Reserves		Shareholders' equity (deficiency)
	Shares	Share Capital		Warrants	Warrants	Outstanding Options	Options	Deficit		
<b>Balance, December 31, 2017</b>	7,971,206	\$ 44,095,360	\$ –	–	\$ 686,349	265,000	\$ 7,062,781	\$ (51,493,995)	\$ 350,495	
Shares issued for properties	2,428,572	284,910	–	–	–	–	–	–	284,910	
Private Placement - Flow-through	4,973,529	291,695	–	2,577,423	6,901	–	–	–	298,596	
Private Placement - Non flow-through (net of issuance costs)	5,695,498	507,112	–	5,695,499	544	–	–	–	507,656	
Share-based compensation	–	–	–	48,917	–	–	–	–	–	
Comprehensive income for the period	–	–	–	–	–	–	–	(721,907)	(721,907)	
<b>Balance, September 30, 2018</b>	21,068,805	45,179,077	–	8,321,839	693,794	265,000	7,062,781	(52,215,902)	719,750	
<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	
Private Placement - Flow-through (net of issuance costs)	<b>2,827,500</b>	<b>318,274</b>	–	<b>1,585,950</b>	<b>9,643</b>	–	–	–	<b>327,917</b>	
Private Placement - Non flow-through (net of issuance costs)	<b>7,906,717</b>	<b>182,107</b>	–	<b>8,057,517</b>	<b>12,368</b>	–	–	–	<b>194,475</b>	
Share subscription received	–	–	<b>15,002</b>	–	–	–	–	–	<b>15,002</b>	
Shares issued for properties	<b>7,748,868</b>	<b>619,701</b>	–	<b>2,000,000</b>	<b>91,188</b>	–	–	–	<b>710,889</b>	
Share-based compensation	–	–	–	–	–	<b>1,550,000</b>	<b>149,795</b>	–	<b>149,795</b>	
Comprehensive income for the period	–	–	–	–	–	–	–	<b>(1,483,324)</b>	<b>(1,483,324)</b>	
<b>Balance, September 30, 2019</b>	<b>53,876,505</b>	<b>46,742,866</b>	<b>15,002</b>	<b>23,151,898</b>	<b>815,001</b>	<b>4,550,000</b>	<b>7,365,022</b>	<b>(52,703,096)</b>	<b>2,234,795</b>	

US Dollars

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**

	Nine months ended September 30,	
	2019	2018
	\$	\$
<b>Operating activities</b>		
Income for the period	(1,483,324)	(721,907)
Items not Affecting Cash:		
Amortization of flow-through share premium liability	(11,421)	(33,123)
Effect of currency translation	168,819	269
Fair value adjustment for marketable securities	231,080	–
Unrealized gain on warrant liability	(616,174)	–
Amortization	135	–
Gain on disposition of assets	(9,404)	–
Gain on disposition of marketable securities	(137,690)	–
Share-based compensation	149,795	–
Changes in non-cash operating working capital		
Amounts receivable	(37,530)	(21,328)
Prepaid expenses and deposits	(310,848)	2,544
Accounts payable and accrued liabilities	9,594	63,213
Due to related parties	(56,169)	4,793
Cash used in operating activities	(2,103,137)	(705,539)
<b>Investing activities</b>		
Equipment purchase	(1,204)	–
Resource properties royalty payments received	10,000	10,000
Resource properties expenditures	(40,060)	(7,512)
Proceeds from sale of mineral property	56,000	–
Proceeds from sale of marketable securities	975,623	–
Acquisition of mineral properties	(94,425)	(167,757)
Cash provided by investing activities	905,934	(165,269)
<b>Financing activities</b>		
Bridge loan advance	–	152,759
Share subscription received in advance	15,002	–
Net proceeds from units issued for cash	1,042,361	881,662
Cash provided by financing activities	1,057,363	1,034,421
<b>(Decrease) in cash</b>	<b>(139,840)</b>	<b>163,613</b>
<b>Cash, beginning of year</b>	<b>203,042</b>	<b>18,572</b>
<b>Cash, end of period</b>	<b>63,202</b>	<b>182,185</b>

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

Shares issued for mineral property acquisitions	\$ 619,701	\$ 60,000
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# EMGOLD MINING CORPORATION

For the Nine Months Ended 30 September, 2019 and 2018 US Dollars

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 1) Nature of operations and going concern

Emgold Mining Corporation (“the Company” or “Emgold”) is incorporated under the British Columbia Corporations Act and the principle place of business is located at 1015 - 789 West Pender Street, Vancouver, British Columbia, V6C 1H2. The Company 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 shares are traded on the TSX Venture Exchange (“TSX-V”) under the symbol EMR, the OTC Market under the symbol EGMCF, and the Frankfurt Stock Exchange (“FRA”) under the symbol EMLM.

These condensed interim 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 significant doubt upon the soundness of this assumption. The Company has negative operating cash flow and incurred operating losses since inception. There is no source of significant revenue at this time and the Company is unable to self-finance operations, and has significant on-going cash needs to meet its overhead requirements and maintain its exploration and evaluation assets. Further, the business of mining and exploration involves a high degree of risk and there can be no assurance that current or future exploration programs will result in profitable mining operations. The recoverability of exploration and evaluation assets is dependent upon several factors, which include the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these properties, and future profitable production or proceeds from disposition of mineral properties. Although the Company has taken steps to verify the title to resource properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company’s title. Property title may be subject to unregistered prior agreements or transfers.

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.

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

Rounded (‘000’s)	30 September 2019	31 December 2018
Working capital (deficit)	\$ 235,000	\$ 1,167,000
Accumulated deficit	\$ (52,703,000)	\$ (51,220,000)

### 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 November 27, 2019.

#### b) Basis of Measurement

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value.



## EMGOLD MINING CORPORATION

For the Nine Months Ended 30 September, 2019 and 2018 US Dollars

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

#### c) Consolidation

These condensed interim 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.

#### 3) Summary of significant accounting policies

The accounting policies and methods of computation followed in preparing these Financial Statements are the same as those followed in preparing the most recent audited annual financial statements. For a summary of significant accounting policies, please refer to the Company's audited annual financial statements for the year ended 31 December 2018.

#### 4) Marketable securities

During the year ended December 31, 2018, the Company received 3,750,000 common shares of Troilus Gold Corporation (TSE:TLG) in accordance with the Purchase and Sales Agreement of Troilus North Property (note 8(e)).

As at September 30, 2019, the fair value of its current holdings was \$823,719 (CDN\$1,090,875) and the gain on fair value adjustment was \$153,761 for the nine months ended September 30, 2019.

#### 5) Assets held for sale

Emgold has a 7.13 acre parcel of land located in Nevada County that was part of the Company's former Idaho-Maryland Project that is currently listed for sale.

This property was subsequently sold at the auction on January 26, 2019 for \$56,000. The disposition of this property resulted in \$56,000 sale proceeds which was applied to settle \$163,856 liability for property taxes including penalty and interest.

<b>ASSETS HELD FOR SALE</b>	<b>Assets Held for Sale</b>	
<b>Balance at 31 December 2018</b>	<b>\$</b>	<b>154,452</b>
<b>Disposition</b>		<b>(154,452)</b>
<b>Balance at 30 September 2019</b>	<b>\$</b>	<b>-</b>

## EMGOLD MINING CORPORATION

For the Nine Months Ended 30 September, 2019 and 2018 US Dollars

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

#### 6) Exploration and evaluation assets

	Buckskin		Buckskin		BC	New York			Total
	Rawhide	Rawhide	Rawhide	Rawhide		Golden	Canyon	Casa	
<b>Property Acquisition Costs</b>	East NV	West NV	Koegel NV	Properties	Arrow NV	NV	South QB	North QB	
Balance as at January 1, 2018	324,052	110,029	110,030	2	-	-	-	-	544,113
Acquisitions	-	30,000	30,000	-	25,123	-	-	367,544	452,667
Royalty payments received	(10,000)	-	-	-	-	-	-	-	(10,000)
Balance as at September 30, 2018	314,052	140,029	140,030	2	25,123	-	-	367,544	986,780
Balance as at January 1, 2019	314,052	140,029	140,030	2	537,870	-	-	-	1,131,983
Acquisitions	-	-	-	-	25,000	283,957	538,222	-	847,179
Royalty payments received	(10,000)	-	-	-	-	-	-	-	(10,000)
<b>Balance as at September 30, 2019</b>	<b>304,052</b>	<b>140,029</b>	<b>140,030</b>	<b>2</b>	<b>562,870</b>	<b>283,957</b>	<b>538,222</b>	<b>-</b>	<b>1,969,162</b>

  

	Buckskin		Buckskin		Other	New York			Total
	Rawhide	Rawhide	Rawhide	Rawhide		Golden	Canyon	Casa	
<b>Exploration and Evaluation Expenditures</b>	East NV	West NV	Koegel NV	Prospect	Arrow NV	NV	South QB	North QB	
Balance as at January 1, 2018	3,515	6,024	-	12,055	16,961	-	-	-	38,555
Carrying costs	-	3,655	5,580	2,650	71,320	-	-	-	83,205
General property search	-	-	-	47,822	-	-	-	165,617	213,439
Balance as at September 30, 2018	3,515	9,679	5,580	62,527	88,281	-	-	165,617	335,199
Balance as at January 1, 2019	-	3,725	5,580	82,515	148,267	-	-	315,600	555,687
Carrying costs	-	3,727	6,382	-	205,979	-	427,278	-	643,366
General property search	420	-	-	54,648	-	74,369	-	28,484	157,921
<b>Balance as at September 30, 2019</b>	<b>420</b>	<b>7,452</b>	<b>11,962</b>	<b>137,163</b>	<b>354,246</b>	<b>74,369</b>	<b>427,278</b>	<b>344,084</b>	<b>1,356,974</b>

#### 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 172 of the unpatented mining claims are owned and 185 unpatented mining claims are leased.

## EMGOLD MINING CORPORATION

For the Nine Months Ended 30 September, 2019 and 2018 US Dollars

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

On July 18, 2017 Emgold signed a non-binding Letter of Intent (“LOI”) to acquire up to a 100% interest in the Golden Arrow Property from Nevada Sunrise Gold Corporation (TSXV: NEV). This LOI was amended as announced by press release on January 4, 2018 (the “First Amended LOI”) and again as announced by press release on July 16, 2018 (the “Second Amended LOI”). The Second Amended LOI was then replaced by a binding Definitive Agreement announced by press release on October 2, 2018.

The Definitive Agreement allowed Emgold (or a wholly owned subsidiary of Emgold) to acquire a 51% interest in the Golden Arrow by (i) making cash payments to Nevada Sunrise in the aggregate amount of \$100,000; and (ii) issuing to Nevada Sunrise 2.5 common shares in the capital of Emgold. In addition, the Company had the option of acquiring the remaining 49% interest in Golden Arrow by issuing to Nevada Sunrise an additional 2.5 million common shares in the capital of Emgold within 24 months of the date of closing of the transaction. The transaction was approved by the TSX Venture Exchange as announced by press release on October 5, 2018.

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 unpatented mining claims are subject to a 1% NSR.

Emgold has completed transferring the title and rights to all mineral claims and all reclamation bonds into Emgold’s subsidiaries name, Golden Arrow Mining Corporation.

#### b) Casa South Property, Quebec

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

On December 13, 2018, the Company announced it had completed an assignment agreement (the “Assignment Agreement”) with a third party, a privately held company, (the “Assignor”) granting Emgold (the “Assignee”) its rights, held through a binding Letter of Intent (“LOI”) with Greg Exploration Inc. and Affiliates (the “Vendors”), to acquire up to a 91% interest in the property. Emgold’s assumption of the rights, held through the LOI, allowed Emgold the right to option and acquire up to a 91% interest in the property.

On March 19, 2019, the Company announced it has subsequently completed an Option Agreement (the “Option Agreement”) with the Vendors, an Amended Assignment Agreement (the “Amended Assignment Agreement”) with the Assignor, and obtained Conditional Approval for the transaction from the Exchange. Under the Option Agreement, to obtain a 91% interest in the property, Emgold was required to make cash payments to the Vendors as shown in the following table:

#### Payments to the Vendors During the Option Period

Timing of Cash Payment	Payment \$C
Closing of the Transaction	\$75,000 (Paid)
Year 1 Anniversary of the Definitive	\$75,000

## EMGOLD MINING CORPORATION

For the Nine Months Ended 30 September, 2019 and 2018 US Dollars

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Agreement	
Year 2 Anniversary of the Definitive Agreement	\$75,000
Year 3 Anniversary of the Definitive Agreement	\$75,000
Year 4 Anniversary of the Definitive Agreement	\$75,000
<b>Total</b>	<b>\$375,000</b>

Emgold was also required to complete C\$600,000 in exploration expenditures in Year One and an additional C\$1,000,000 in exploration expenditures during the course of the Option Agreement, without any commitment as to amount and timing of amount to be spent. Emgold agreed to grant to the Vendors a 1.5% NSR on the property, being agreed that half a percent (0.5%) of said NSR can be repurchased by Emgold for an amount of five hundred thousand dollars (C\$500,000).

The Amended Assignment Agreement required the Company to pay to the Assignor an amount of 807,692 common shares from its share capital representing \$52,500, at a share price of \$0.065 (based on the Market Price, as defined in Exchange policies, of the common shares at the time of disclosing of the transaction). With each of the four annual payments to the Vendors, Emgold was required to issue the Assignor common shares representing \$5,625, at Market Price, as defined in Exchange Policies on the date of issuance for a total value of \$22,500, based on 7.5% of the four cash payments to be made by the Company under the Option Agreement.

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

On June 13, 2019, the Company announced it had completed an amendment (the "Amendment") to the Option Agreement between Emgold and the Vendors. Instead of completing the remaining C\$300,000 in cash payments and C\$1.6 million in exploration work to earn a 91% interest in the property, the Amendment allowed Emgold to acquire a 100% interest in the property by issuing to the Vendors 4,000,000 units from its share capital (the "Compensation Units"), each Compensation Unit being comprised of one common share (each a "Compensation Share") and one half of one common share purchase warrant (each a "Compensation Warrant"), each whole Compensation Warrant entitling the holder to acquire one (1) common share in the share capital of Emgold (each a "Compensation Warrant Share") at a price of \$0.25 per Compensation Warrant Share for a period of twenty-four (24) months from the date of issuance.

The Compensation Shares and Compensation Warrant Shares issued as part of the Amendment are subject to a Right of First Refusal ("ROFR") provisions and limitation of monthly sales by the Vendors (the "Offered Shares") in any given calendar month, subject to a 10 business day Notice Period (the "Notice Period"). During the Notice Period, Emgold has the right to identify one or several acquirers to purchase the Offered Shares, to which the Vendors shall sell all (but not less than all) of the Offered Shares at equal or superior terms, based on the prior 10 day volume weighted average price of Emgold's common shares on the TSX Venture Exchange.

On July 18, 2019, completed the 100% acquisition of the Casa South Property and the property was subsequently transferred into Emgold's name.

## EMGOLD MINING CORPORATION

For the Nine Months Ended 30 September, 2019 and 2018 US Dollars

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

#### c) New York Canyon Property, Nevada

On May 28, 2019, the Company announced by press release that it had signed a Letter of Intent (the "LOI") with Searchlight Resources Inc. (TSXV: SCLT) giving it the option to acquire a 100% interest the New York Canyon Property, subject to underlying royalties. The property includes 21 patented mineral claims and 60 unpatented mining claims totalling about 1,500 acres.

Emgold will acquire a 100% interest in the property buy completing the following:

1. C\$10,000 on signing the LOI (paid);
2. C\$40,000 on closing of the Transaction (paid);
3. C\$500,000 in common shares of the capital of Emgold at the date of closing, with the share price based on the 30-day volume weighted average price of the Company's share immediately prior to the announcement of the Transaction (2,941,176 shares issued on July 29, 2019);
4. C\$100,000 within 6 months of the date of closing of the Transaction;
5. C\$100,000 within 12 months of the date of closing of the Transaction; and
6. C\$100,000 within 18 months of the date of closing of the Transaction.

The Transaction was subject, amongst other conditions, to completion of a definitive agreement and regulatory approval by the TSX Venture Exchange. Shares issued as a result of the transaction are subject to First Right of Refusal Provisions ("ROFR") which limit the number of shares that can be sold in any month to 150,000.

On July 16, 2019, Emgold announced by press release it had completed a Claim Purchase Agreement with Searchlight, completed the C\$40,000 payment due at closing of the transaction, and issued 2,941,196 common shares to Searchlight. Three payments of C\$100,000 each are required to complete the option.

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.

#### d) Buckskin Rawhide East Property, Nevada

The Company has a 100% interest in the 52 unpatented mineral claims, totalling 835 acres, making up Buckskin Rawhide East Property. The claims are underlying claims to Rawhide Mining LLC's ("RMC") operating Rawhide Mine.

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

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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 second quarter.

#### **e) 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 were paid to Jeremy C. Wire in the amount of \$10,000 each year during 2012, 2013, and 2014. Payments of \$20,000 in year 2015, and \$30,000 each year in 2016, 2017, and 2018 (total \$140,000) completed the acquisition of the property. All payments were made in shares. The property subject to a 2% Net Smelter royalty, which can be purchased at any time for \$1.0 million.

#### **f) Koegel Rawhide, Nevada**

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

In February 2012, the Company entered a Lease and Option to Purchase Agreement with Jeremy C. Wire to acquire the RHT and GEL claims, located four miles south of the Rawhide Mine in Mineral County, Nevada. Pursuant to the lease agreement, advance royalty payments were paid to Jeremy C. Wire in the amount of \$10,000 each year during 2012, 2013, and 2014. Payments of \$20,000 in year 2015 and \$30,000 each year in 2016, 2017, and 2018 (total \$140,000) completed the acquisition of the Property. All payments were made in shares. The property subject to a 2% Net Smelter royalty, which can be purchased at any time for \$1.0 million.

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

The Company holds a 100% interest in the Stewart mineral claims, near Ymir British Columbia, totalling 5,789 hectares and consisting of 82 mineral claims acquired from prospectors Jack and Eric Denny. Under the terms of the option agreement, announced by press release dated July 31, 2001, Emgold was to make cash

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payments totalling C\$150,000 and to issue 200,000 common shares to the Denny's over a six year period as follows:

1. C\$5,000 and 50,000 common shares upon regulatory approval;
2. C\$5,000 within six months of regulatory approval;
3. C\$10,000 and 50,000 common share within 12 months of regulatory approval;
4. C\$15,000 and 50,000 commons shares within 24 months of regulatory approval;
5. C20,000 and 50,000 commons shares within 36 months of regulatory approval;
6. C\$25,000 within 48 months regulatory approval;
7. C\$30,000 within 60 months regulatory approval; and
8. C\$40,000 within 72 months of regulatory approval.

In a November 17, 2006, press release, Emgold announced the terms of 2001 agreement were amended whereby Emgold issued the Denny's 60,000 commons shares at a deemed value of \$0.50 per share in lieu of the \$30,000 cash payment due in 2006. All cash and share payments were completed and Emgold exercised its option to acquire 100 percent interest in the Stewart Property. The property is subject to a 3% underlying NSR. Emgold retains the right to purchase 2% of the underlying NSR by making a CDN\$1.0 million payment to the underlying royalty holder.

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

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

The Company holds the rights to the Rozan mineral claims, near Ymir British Columbia, totalling 1,950 hectares. In April, 2000, the company entered into an option agreement with prospectors Jack and Eric Denny to earn 100% interest in the property by making staged payments totalling C\$100,000 and issuing 200,000 common shares to the Denny's on or before April 1, 2006. These payments were subsequently completed. The property is subject to a 3% underlying NSR. Emgold retains the right to purchase 2% of the underlying NSR by making a CDN\$1.0 million payment to the underlying royalty holder.

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

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#### 7) Related party transactions

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

#### RELATED PARTY DISCLOSURE

Name and Principal Position	Period <sup>(i)</sup>	Remuneration or fees <sup>(ii)</sup>
	2019	\$ 87,500
David Watkinson, CEO and President – salary	2018	\$ 69,375
	2019	\$ 36,000
David Watkinson, CEO and President – benefits and allowance	2018	\$ -
	2019	\$ 45,500
David Watkinson, CEO and President – Share-based compensation	2018	\$ -
	2019	\$ 90,000
Robert Rosner, CFO and director – management fees	2018	\$ 30,000
	2019	\$ 19,500
Robert Rosner, CFO and director – Share-based compensation	2018	\$ -
	2019	\$ 9,750
Andrew MacRitchie, Director – Share-based compensation	2018	\$ -
	2019	\$ 9,750
Vincent Garibaldi, Director – Share-based compensation	2018	\$ -
	2019	\$ 3,250
Lisa Maxwell, Corporate Secretary – Share-based compensation	2018	\$ -
	2019	\$ -
Former Director – salary	2018	\$ 31,040
	2019	\$ -
Clearline CPA, A company of which the ex-CFO is a director – management fees	2018	\$ 28,941
	2019	\$ -
Clearline CPA, A company of which the ex-CFO is a director – bookkeeping	2018	\$ 8,981

(i) For the nine months ended 30 September 2019 and 2018.

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

As at September 30, 2019, the Company owed an ex-director for CDN\$5,000. This loan bear interest at 1% per month and are repayable on demand.



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

	30 September 2019	31 December 2018
David Watkinson, the CEO	\$ 380,645	\$ 222,786
Robert Rosner, the CFO	-	20,000
Clearline CPA, ex-CFO	-	76,123
Andrew MacRitchie, Director	-	4,704
Bill Witte, ex-Director	4,320	4,704
Sequoia Corporate Service, Corporate Secretary	-	-
	<b>\$ 384,965</b>	<b>\$ 263,608</b>

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.

## 8) 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 nine months ended 30 September 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.

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 (Note 6 (b)).

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

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

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

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

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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.

#### During the nine months ended 30 September 2018:

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

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

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

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

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

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

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

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

#### **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 nine months ended September 30, 2019 and 2018 are summarized as follows:

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STOCK OPTION ACTIVITY	September 30, 2019	Weighted average exercise Price (CDN\$)	September 30, 2018	Weighted average exercise Price (CDN\$)
	Outstanding number of options		Outstanding number of options	
<b>Options Outstanding and Exercisable</b>				
<b>Balance – beginning of year</b>	<b>3,000,000</b>	<b>\$ 0.15</b>	265,000	<b>\$ 1.00</b>
Granted	1,550,000	0.20	-	-
<b>Balance – end of period</b>	<b>4,550,000</b>	<b>\$ 0.17</b>	265,000	<b>\$ 1.00</b>

Details of stock options outstanding as at 30 September 2019 are as follows:

Expiry Date	Exercise Price (CDN\$)	30 September 2019
19 November 2023	\$ 0.15	3,000,000
15 May 2024	\$ 0.20	1,550,000
		<b>4,550,000</b>

Share-based compensation relating to options granted and vested during the nine months period ended September 30, 2019 using the Black-Scholes option pricing model was \$149,795 (2018 - \$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 loss. The associated share-based compensation expense for the options granted during the quarter was calculated based on the following weighted average assumptions: Risk free-interest rate – 1.54%; Dividend yield – 0.00%; Expected volatility – 109.0%; Expected life – 5.00 years.

#### d) Warrants

Share purchase warrants activity during the nine months period ended 30 September 2019 and 2018 are summarized as follows:

SHARE PURCHASE WARRANT ACTIVITY	September 30, 2019	Weighted average exercise Price (CDN\$)	September 30, 2018	Weighted average exercise Price (CDN\$)
	<b>Options Outstanding and Exercisable</b>			
<b>Balance – beginning of year</b>	<b>11,508,431</b>	<b>\$ 0.20</b>	-	<b>\$ -</b>
Granted	11,643,467	0.19	8,272,922	0.18
<b>Balance – end of period</b>	<b>23,151,898</b>	<b>\$ 0.20</b>	8,272,922	<b>\$ 0.18</b>

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Details of share purchase warrants outstanding as at 30 September 2019 are as follows:

Expiry Date	Exercise Price (CDN\$)	30 September 2019	30 September 2018
26 April, 2021	\$ 0.17	1,907,617	-
5 April, 2021	\$ 0.20	80,000	-
28 March, 2021	\$ 0.17	702,000	-
08 March, 2021	\$ 0.17	5,447,900	-
31 December 2020	\$ 0.25	123,200	-
20 December 2020	\$ 0.25	2,212,308	-
04 October 2020	\$ 0.17	900,000	-
31 August 2020	\$ 0.25	144,000	144,000
28 August 2020	\$ 0.17	3,100,000	3,100,000
15 August 2020	\$ 0.25	315,030	315,030
10 August 2020	\$ 0.17	2,595,499	2,595,499
10 August 2020	\$ 0.25	61,847	-
5 April 2020	\$ 0.25	637,500	-
10 May 2020	\$ 0.25	868,450	-
10 July 2020	\$ 0.25	1,443,464	1,505,310
27 June 2020	\$ 0.25	613,083	613,083
29 July 2021	\$ 0.25	2,000,000	-
		<b>23,151,898</b>	<b>8,272,922</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:

WARRANT LIABILITY (WARRANTS PRICED IN CANADIAN DOLLAR)	30 September 2019		30 September 2018	
	Number of Warrants	Fair Value	Number of Warrants	Fair Value
<b>Balance – beginning of year</b>	<b>11,221,687</b>	<b>\$ 371,646</b>	-	\$ -
Issued	9,320,467	549,410	-	-
Fair market value adjustment gain	-	(616,174)	-	-
<b>Balance – end of period</b>	<b>20,542,154</b>	<b>\$ 304,882</b>	-	\$ -

During the nine months ended 30 September 2019, the Company recorded a warrant liability in the amount of \$549,410 (2018 - \$Nil). The warrants were valued on the date of grant using the Black-Scholes option pricing model, with the following assumptions: weighted average risk free rate of 1.55% - 1.61%, volatility factors of 108% to 132% and an expected life of 12 to 24 months.

The warrants were subsequently re-valued on the Company's reporting dates using the Black-Scholes option pricing model, with the following assumptions: weighted average risk free rate of 1.52%, volatility factors of 98% - 144% and an expected life of 9 months – 19 months. An unrealized gain on warrant liability of \$616,174 has been recorded for the nine months ended 30 September 2019 (2018 - \$Nil). As at 30 September 2019, the Company recorded a warrant liability in the amount of \$304,882 (2018 - \$Nil).

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#### 9) Flow-through shares premium liability

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

<b>Balance, December 31, 2018</b>	<b>\$ 21,631</b>
Recognition of premium on flow through share issuance	3,175
Foreign exchange revaluation at quarter end	673
Settlement of flow-through share premium liability pursuant to incurring qualified expenditures	(11,421)
<b>Balance, September 30, 2019</b>	<b>\$ 14,058</b>

Summary of renunciations related to the tranches for flow through share issuances during the year ended December 31, 2018 and nine months ended September 30, 2019 are as follows:

**Tranche 1 flow through share issued on June 27, 2018 for gross proceeds of CDN\$ 169,250**

Expenditures renounced effective December 31, 2018 were CDN\$ 169,250 with no unspent obligation.

**Tranche 2 flow through share issued on July 10, 2018 for gross proceeds of CDN\$ 433,040**

Expenditures renounced effective December 31, 2018 were CDN\$ 255,231 with no unspent obligation.

**Tranche 3 flow through share issued on August 15, 2018 for gross proceeds of CDN\$ 83,025**

These amounts were spent in the nine months ended September 30, 2019 with no unspent obligation as at September 30, 2019.

**Tranche 4 flow through share issued on August 31, 2018 for gross proceeds of CDN\$ 42,000**

These amounts were spent in the nine months ended September 30, 2019 with no unspent obligation as at September 30, 2019.

**Tranche 5 flow through share issued on December 31, 2018 for gross proceeds of CDN\$ 575,200**

CDN\$ 280,063 remained unspent as at September 30, 2019 and will be incurred prior to December 31, 2019.

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

As of the September 30, 2019, the gross proceeds of CDN\$ 255,000 unspent and will be incurred prior to December 31, 2020.

**Tranche 2 flow through share issued on May 10, 2019 for gross proceeds of CDN\$ 290,500**

As of the September 30, 2019, the gross proceeds of CDN\$ 290,500 remained unspent and will be incurred prior to December 31, 2020.

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#### 10) Equipment

		Computer	Total
<b>Cost</b>			
Balance, December 31, 2018	\$	-	\$ -
Additions		1,204	1,204
Balance, September 30, 2019		1,204	1,204
<b>Accumulated Depreciation</b>			
Balance, December 31, 2018		-	-
Charge for the period		135	135
Balance, September 30, 2019		135	135
<b>Net Carrying Amount</b>			
September 30, 2019	\$	1,069	\$ 1,069
September 30, 2018	\$	-	\$ -

#### 11) 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 six months ended 30 September 2019 and 2018.

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#### 12) Segmented disclosure

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

<b>SEGMENTED DISCLOSURE</b> (ROUNDED TO 000's)	Canada	United States	Total
<b>31 March 2019</b>			
<b>Long-term Assets</b>			
Reclamation bonds	-	25,000	25,000
Exploration and evaluation assets	1,310,000	659,000	1,969,000
<b>31 December 2018</b>			
<b>Long-term Assets</b>			
Reclamation bonds	10,000	7,000	17,000
Exploration and evaluation assets	488,000	544,000	1,132,000
Deposit	5,000	-	5,000

#### 13) Commitment

##### Employment contract with the President and CEO

On September 12, 2018, the Company entered into an employment contract with the President and CEO of the Company to carry on the duties and exercise powers of the President and CEO of the Company under the direction and control of the Board of Directors. The base remuneration is \$12,500 monthly or \$150,000 annually. Additional monthly allowance is \$2,500. Bonus up to maximum one-month salary is available. The term of employment is for indefinite period subject to standard termination clause.

##### Consulting agreement with the CFO

On July 16, 2018, the Company entered into a consulting agreement with the CFO of the Company to carry out the CFO duties, provide assistance in completion of financings by the Company and introduce investment opportunities of potential interest to the Company. The remuneration is \$10,000 monthly with a 24-months term renewal for a further 12 months.

##### Capital Market Advisory Consulting agreement

On January 2, 2019, the Company entered into a consulting agreement with an arms-length party for assistance in completion of acquisitions, completion of divestitures, and sourcing of financings by the Company and of potential interest to the Company. The remuneration is CDN\$12,500 monthly with a 24-months term.

#### 14) Subsequent events

##### a) New York Canyon Option

On November 15, 2019, Emgold announced that it has staked 92 additional claims, expanding the size of the New York Canyon Property (the "Property"). Emgold now controls 152 unpatented and 21 patented mineral claims located in the Santa Fe Mining District, Mineral County, in west-central Nevada. The Property is located about 30 mi. southeast of Hawthorne, Nevada.