

EMGOLD MINING CORP  
Form 20-F/A  
May 08, 2018

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 20-F/A

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) or 12(g) OF THE *SECURITIES EXCHANGE ACT OF 1934*

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE *SECURITIES EXCHANGE ACT OF 1934*  
For the fiscal year ended December 31, 2017

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF *THE SECURITIES EXCHANGE ACT OF 1934*

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE *SECURITIES EXCHANGE ACT OF 1934*

Date of event requiring this shell company report \_\_\_\_\_

Commission file number 000-51411

**EMGOLD MINING CORPORATION**  
(Exact Name of Registrant as Specified in its Charter)  
**BRITISH COLUMBIA, CANADA**  
(Jurisdiction of incorporation or organization)

**Suite 1010, 789 West Pender Street**  
**Vancouver, British Columbia, Canada, V6C 1H2**  
(Address of principal executive offices)  
**Grant T. Smith**  
**Suite 1010, 789 West Pender Street**  
**Vancouver, British Columbia, Canada, V6C 1H2**

**Tel: (604) 639-0909 Fax: (778) 375-3109**

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class Name of each exchange on which registered

None None

Securities registered or to be registered pursuant to Section 12(g) of the Act:

Common Shares without par Value

(Title of class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

(Title of class)

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Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: 7,971,206 common shares

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," "emerging growth company" and in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer    Accelerated Filer    Non-Accelerated Filer  
Emerging Growth Company

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

International Financial Reporting Standards  
as issued by the International Accounting  
Standards Board

Other

If "Other" has been checked in response to the previous question, indicate by a check mark which financial statement item the registrant has elected to follow.

Item 17 Item 18 **NOT APPLICABLE**

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2)."

Emerging growth company

**EXPLANATORY NOTE**

Emgold Mining Corporation (the "Company") is filing this Amendment on Form 20-F/A (this "Amendment") to its Report on Form 20-F, dated April 30, 2018 (the "Original 20-F"), solely to add the XBRL portion to this filing.

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If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

**NOTES CONCERNING TERMINOLOGY RELATED TO RESOURCES AND RESERVES**

**(Please see “CAUTIONARY NOTE TO U.S. INVESTORS REGARDING MINERAL RESOURCE AND MINERAL RESERVE ESTIMATES,”)**

The terms "mineral resource", "measured mineral resource", "indicated mineral resource", "inferred mineral resource", "mineral reserve", "probable mineral reserve" and "proven mineral reserve" used in this Annual Report are Canadian mining terms as defined in accordance with National Instrument 43-101, Standards of Disclosure for Mineral Projects under the guidelines set out in the Canadian Institute of Mining, Metallurgy and Petroleum (the "CIM") Standards on Mineral Resources and Mineral Reserves, adopted by the CIM Council. On November 14, 2004 and November 27, 2010, CIM Council adopted an update to the CIM Definition Standards to reflect the more detailed guidance available and effect certain editorial changes required to maintain consistency with current regulations. This version of the CIM Definition Standards includes further editorial changes required to maintain compatibility with the new version of National Instrument 43-101 which became Canadian law in 2011. The CIM Definition Standards can be viewed on the CIM website at [www.cim.org](http://www.cim.org). In accordance with Industry Guide 7, Description of Property by Issuers Engaged or to be Engaged in Significant Mining Operations, issued by the U. S. Securities and Exchange Commission, a reserve is termed a "mineral deposit".

**Definitions**

**Qualified Person**

Mineral Resource and Mineral Reserve estimates and resulting technical reports under NI 43-101 must be prepared by or under the direction of, and dated and signed by, a Qualified Person. A "Qualified Person" means an individual who is an engineer or geoscientist with a university degree, or equivalent accreditation, with at least five years of experience in mineral exploration, mine development or operation or mineral project assessment, or any combination of these; has experience relevant to the subject matter of the mineral project and the technical report; and is a member or licensee in good standing of a professional association. The Qualified Person(s) should be clearly satisfied that they could face their peers and demonstrate competence and relevant experience in the commodity, type of deposit and situation under consideration. If doubt exists, the person must either seek or obtain opinions from other colleagues or demonstrate that he or she has obtained assistance from experts in areas where he or she lacked the necessary expertise. Determination of what constitutes relevant experience can be a difficult area and common sense has to be exercised. For example, in estimating Mineral Resources for vein gold mineralization, experience in a high-nugget, vein-type mineralization such as tin, uranium etc. should be relevant whereas experience in massive base metal deposits may not be. As a second example, for a person to qualify as a Qualified Person in the estimation of Mineral Reserves for alluvial gold deposits, he or she would need to have relevant experience in the evaluation and extraction

of such deposits. Experience with placer deposits containing minerals other than gold, may not necessarily provide appropriate relevant experience for gold. In addition to experience in the style of mineralization, a Qualified Person preparing or taking responsibility for Mineral Resource estimates must have sufficient experience in the sampling, assaying, or other property testing techniques that are relevant to the deposit under consideration in order to be aware of problems that could affect the reliability of the data. Some appreciation of extraction and processing techniques applicable to that deposit type might also be important.

Estimation of Mineral Resources is often a team effort, for example, involving one person or team collecting the data and another person or team preparing the Mineral Resource estimate. Within this team, geologists usually occupy the pivotal role. Estimation of Mineral Reserves is almost always a team effort involving a number of technical disciplines, and within this team mining engineers have an important role. Documentation for a Mineral Resource and Mineral Reserve estimate must be compiled by, or under the supervision of, a Qualified Person(s), whether a geologist, mining engineer or member of another discipline. It is recommended that, where there is a clear division of responsibilities within a team, each Qualified Person should accept responsibility for his or her particular contribution. For example, one Qualified Person could accept responsibility for the collection of Mineral Resource data, another for the Mineral Reserve estimation process, another for the mining study, and the project leader could accept responsibility for the overall document. It is important that the Qualified Person accepting overall responsibility for a Mineral Resource and/or Mineral Reserve estimate and supporting documentation, which has been prepared in whole or in part by others, is satisfied that the other 13 contributors are Qualified Persons with respect to the work for which they are taking responsibility and that such persons are provided adequate documentation.

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### ***Preliminary Economic Assessment (PEA)***

A study, other than a Pre-Feasibility or Feasibility Study, that includes an economic analysis of the potential viability of mineral resources.

### ***Preliminary Feasibility Study (Pre-Feasibility Study)***

The CIM Definition Standards requires the completion of a Preliminary Feasibility Study as the minimum prerequisite for the conversion of Mineral Resources to Mineral Reserves.

A Preliminary Feasibility Study is a comprehensive study of a range of options for the technical and economic viability of a mineral project that has advanced to a stage where a preferred mining method, in the case of underground mining, or the pit configuration, in the case of an open pit, is established and an effective method of mineral processing is determined. It includes a financial analysis based on reasonable assumptions on mining, processing, metallurgical, economic, marketing, legal, environmental, social and governmental considerations and the evaluation of any other relevant factors which are sufficient for a Qualified Person, acting reasonably, to determine if all or part of the Mineral Resource may be classified as a Mineral Reserve.

### ***Feasibility Study***

A Feasibility Study is a comprehensive technical and economic study of the selected development option for a mineral project that includes appropriately detailed assessments of realistically assumed mining, processing, metallurgical, economic, marketing, legal, environmental, social and governmental considerations together with any other relevant operational factors and detailed financial analysis, that are necessary to demonstrate at the time of reporting that extraction is reasonably justified (economically mineable). The results of the study may reasonably serve as the basis for a final decision by a proponent or financial institution to proceed with, or finance, the development of the project. The confidence level of the study will be higher than that of a Pre-Feasibility Study.

### ***Exploration Information***

Exploration information means geological, geophysical, geochemical, sampling, drilling, trenching, analytical testing, assaying, mineralogical, metallurgical and other similar information concerning a particular property that is derived from activities undertaken to locate, investigate, define or delineate a mineral prospect or mineral deposit. It is recognized that in the review and compilation of data on a project or property, previous or historical estimates of tonnage and grade, not meeting the minimum requirement for classification as Mineral Resource, may be encountered. If a Qualified Person reports Exploration Information in the form of tonnage and grade, it must be clearly stated that these estimates are conceptual or order of magnitude and that they do not meet the criteria of a Mineral Resource.

### ***Mineral Resource***

Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories. An Inferred Mineral Resource has a lower level of confidence than that applied to an Indicated Mineral Resource. An Indicated Mineral Resource has a higher level of confidence than an Inferred Mineral Resource but has a lower level of confidence than a Measured Mineral Resource. A Mineral Resource is a concentration or occurrence of diamonds, natural solid inorganic material, or natural solid fossilized organic material including base and precious metals, coal, and industrial minerals in or on the Earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge. The term Mineral Resource covers mineralization and natural material of intrinsic economic interest which has been identified and estimated through exploration and sampling and within which Mineral Reserves may subsequently be defined by the consideration and application of technical, economic, legal, environmental, socio-economic and governmental factors. The phrase "reasonable prospects for economic extraction" implies a judgment by the Qualified Person in respect of the technical and economic factors likely to influence the prospect of economic extraction. A Mineral Resource is an inventory of mineralization that under realistically assumed and justifiable technical and economic conditions might become economically extractable. These assumptions must be presented explicitly in both public and technical reports.

### ***Inferred Mineral Resource***

An "Inferred Mineral Resource" is that part of a Mineral Resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. Due to the uncertainty that may be attached to Inferred Mineral Resources, it cannot be assumed that all or any part of an Inferred Mineral Resource will be upgraded to an Indicated or Measured Mineral Resource as a result of continued exploration. Confidence in the estimate is insufficient to allow the meaningful application of technical and economic parameters or to enable an evaluation of economic viability worthy of public disclosure. Inferred Mineral Resources must be excluded from estimates forming the basis of feasibility or other economic studies.



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***Indicated Mineral Resource***

An “Indicated Mineral Resource” is that part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed. Mineralization may be classified as an Indicated Mineral Resource by the Qualified Person when the nature, quality, quantity and distribution of data are such as to allow confident interpretation of the geological framework and to reasonably assume the continuity of mineralization. The Qualified Person must recognize the importance of the Indicated Mineral Resource category to the advancement of the feasibility of the project. An Indicated Mineral Resource estimate is of sufficient quality to support a Preliminary Feasibility Study which can serve as the basis for major development decisions.

***Measured Mineral Resource***

A “Measured Mineral Resource” is that part of a Mineral Resource for which quantity, grade or quality, densities, shape, and physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity. Mineralization or other natural material of economic interest may be classified as a Measured Mineral Resource by the Qualified Person when the nature, quality, quantity and distribution of data are such that the tonnage and grade of the mineralization can be estimated to within close limits and that variation from the estimate would not significantly affect potential economic viability. This category requires a high level of confidence in, and understanding of, the geology and controls of the mineral deposit.

***Mineral Reserve***

Mineral Reserves are sub-divided in order of increasing confidence into Probable Mineral Reserves and Proven Mineral Reserves. A Probable Mineral Reserve has a lower level of confidence than a Proven Mineral Reserve.

A Mineral Reserve is the economically mineable part of a Measured or Indicated Mineral Resource demonstrated by at least a Preliminary Feasibility Study. This Study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A Mineral Reserve includes diluting materials and allowances for losses that may occur when the material is mined. Mineral Reserves are those parts of Mineral Resources which, after the application of all mining factors, result in an estimated tonnage and grade which, in the opinion of the Qualified Person(s) making the estimates, is the basis of an economically viable project after taking account of all relevant processing, metallurgical, economic, marketing, legal, environment, socioeconomic and government factors. Mineral Reserves are inclusive of

diluting material that will be mined in conjunction with the Mineral Reserves and delivered to the treatment plant or equivalent facility. The term “Mineral Reserve” need not necessarily signify that extraction facilities are in place or operative or that all governmental approvals have been received. It does signify that there are reasonable expectations of such approvals.

***Probable Mineral Reserve***

A “Probable Mineral Reserve” is the economically mineable part of an Indicated and, in some circumstances, a Measured Mineral Resource demonstrated by at least a Preliminary Feasibility Study. This Study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified.

***Proven Mineral Reserve***

A “Proven Mineral Reserve” is the economically mineable part of a Measured Mineral Resource demonstrated by at least a Preliminary Feasibility Study. This Study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction is justified. Application of the Proven Mineral Reserve category implies that the Qualified Person has the highest degree of confidence in the estimate with the consequent expectation in the minds of the readers of the report. The term should be restricted to that part of the deposit where production planning is taking place and for which any variation in the estimate would not significantly affect potential economic viability.

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**CAUTIONARY NOTE TO U.S. INVESTORS REGARDING MINERAL RESOURCE AND MINERAL RESOURCE ESTIMATES**

As used in this Annual Report on Form 20-F, the terms “Mineral Reserve,” “Proven Mineral Reserve” and “Probable Mineral Reserve” are Canadian mining terms defined in accordance with NI 43-101 and the CIM Standards. These definitions differ from the definitions in SEC Industry Guide 7 under the U.S. Securities Act. Under SEC Industry Guide 7, a reserve is defined as that part of a mineral deposit which could be economically and legally extracted or produced at the time the reserve determination is made. The terms “Mineral Resource,” “Measured Mineral Resource,” “Indicated Mineral Resource” and “Inferred Mineral Resource” are defined in and required to be used by NI 43-101. However, these terms are not defined terms under SEC Industry Guide 7 and are normally not permitted to be used in reports and registration statements filed with the SEC. Investors are cautioned not to assume that all, or any part, of a mineral deposit in these categories will ever be converted into reserves. “Indicated Mineral Resource” and “Inferred Mineral Resource” have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all, or any part, of an Indicated Mineral Resource or an Inferred Mineral Resource will ever be upgraded to a higher category. Under Canadian rules, estimates of Inferred Mineral Resources may not form the basis of Feasibility or Preliminary Feasibility studies, except in rare cases. Investors are cautioned not to assume that all, or any part, of an Inferred Mineral Resource exists or is economically or legally mineable. Disclosure of “contained ounces” in a resource is permitted disclosure under Canadian regulations. However, the SEC normally only permits issuers to report mineralization that does not constitute “reserves” by SEC standards as in place tonnage and grade without reference to unit measures. Accordingly, information contained in this Annual Report on Form 20-F and the exhibits filed herewith or incorporated by reference herein contain descriptions of mineral deposits that may not be comparable to similar information made public by U.S. companies subject to the reporting and disclosure requirements under U.S. federal securities laws and the rules and regulations promulgated thereunder. Further, the term “mineralized material” as used in this Annual Report on Form 20-F does not indicate “reserves” by SEC standards. We cannot be certain that mineralized material will ever be confirmed or converted into SEC Industry Guide 7 compliant “reserves”. Investors are cautioned not to assume that mineralized material will ever be confirmed or converted into reserves or that mineralized material can be economically or legally extracted.

**CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION**

Statements contained in this Annual Report on Form 20-F of the Registrant, Emgold Mining Corporation. (“Emgold” or the “Company”), and the exhibits attached hereto that are not historical facts are forward-looking statements within the meaning of U.S. and Canadian securities legislation and the U.S. Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties. Such forward-looking statements include, but are not limited to, statements with respect to anticipated results and developments in the Company’s operations, planned exploration and development of the Company’s properties, plans related to the Company’s business and other matters that may occur in the future. These statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management. Statements concerning Mineral Reserve and Mineral Resource estimates may also be deemed to constitute forward-looking statements to the extent that they involve estimates of the mineralization that will be encountered if a property is developed, and in the case of Mineral Reserves, such statements reflect the conclusion based on certain assumptions that the mineral deposit can be economically exploited. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words

or phrases such as “expects” or “does not expect”, “is expected”, “anticipates” or “does not anticipate”, “plans”, “estimates” or “intends”, or stating that certain actions, events or results “may”, “could”, “would”, “might” or “will” (or the negative and grammatical variations of any of these terms and similar expressions) be taken, occur or be achieved) are not statements of historical fact and may be forward-looking statements. Forward-looking statements and forward-looking information are based, in part, on assumptions and factors that may change and are subject to a variety of known and unknown risks, uncertainties and other factors which could cause actual events or results, performance or achievements of the Company to differ materially from those expressed or implied by the forward-looking statements and forward-looking information. Some of the important risks, uncertainties and other factors that could affect forward-looking statements and forward-looking information include, but are not limited to, those described further in the sections entitled “ITEM 3. KEY INFORMATION - Risk Factors”, “ITEM 4. INFORMATION ON THE COMPANY - Business Overview”, “ITEM 4. INFORMATION ON THE COMPANY – Principal Property Interests” and “ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS” and in the exhibits attached to this Annual Report on Form 20-F. Should one or more of these risks, uncertainties and other factors materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in the Company’s forward-looking statements or forward-looking information. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements and information. The forward-looking statements and forward-looking information are based on beliefs, expectations and opinions of the Company’s management on the date of this Annual Report on Form 20-F and speak only as of the date hereof and the Company does not undertake any obligation to publicly update forward-looking statements or forward-looking information contained herein to reflect events or circumstances after the date hereof, except as required by law. For the reasons set forth above, investors should not place undue reliance on forward-looking statements.

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Forward-looking statements and other information contained herein concerning the mining industry and the Company's expectations concerning the mining industry are based on estimates prepared by the Company using data from publicly available sources as well as from market research and industry analysis and on assumptions based on data and knowledge of this industry which the Company believes to be reasonable. However, this data is inherently imprecise, although generally indicative of relative market positions, market shares and performance characteristics. While the Company is not aware of any misstatements regarding any mining industry data presented herein, the industry involves risks and uncertainties and is subject to change based on various factors.

Certain historical and forward-looking information contained in this Annual Report on Form 20-F has been provided by, or derived from information provided by, certain persons other than the Company. Although the Company does not have any knowledge that would indicate that any such information is untrue or incomplete, the Company assumes no responsibility for the accuracy and completeness of such information or the failure by such other persons to disclose events which may have occurred or may affect the completeness or accuracy of such information but which is unknown to the Company.

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Conversion of metric units into imperial equivalents is as follows:

**Conversion Factors (Metric and Imperial Units)**

| <u>Metric units</u> | <u>Multiply by</u> | <u>Imperial units</u>      |
|---------------------|--------------------|----------------------------|
| Hectares            | 2.471              | = acres                    |
| Metres              | 3.281              | = feet                     |
| Kilometres          | 0.621              | = miles (5,280 feet)       |
| Grams               | 0.032              | = ounces (troy)            |
| Tonnes              | 1.102              | = tons (short) (2,000 lbs) |
| grams/tonne         | 0.029              | = ounces (troy)/ton        |

**Glossary of Abbreviations**

|     |   |       |   |
|-----|---|-------|---|
| Ag  | Silver                                  | Pb    | Lead  |
| Au  | Gold                                    | Pd    | Palladium   |
| Ba  | Barium                                  | ppb   | Parts per billion                                     |
| Co  | Cobalt                                  | ppm   | Parts per million                                     |
| Cu  | Copper                                  | Pt    | Platinum  |
| EM  | Electromagnetic                         | S     | Sulphur   |
| Fe  | Iron                                    | ton   | Short ton (2,000 pounds)                              |
| gpm | Gallons per minute                      | tonne | Metric ton (1,000 kilograms – 2,204.62 pounds)        |
| gpt | Grams per tonne                         | tpd   | Tons per day  |
| g/t | Grams per tonne                         | VLF   | Very low frequency electromagnetic geophysical survey |
| IP  | Induced Polarization geophysical survey | VMS   | Volcanogenic massive sulphide                         |
| Mo  | Molybdenum                              | W     | Tungsten  |
| Ni  | Nickel                                  |       |   |
| NSR | Net smelter returns royalty             |       |   |
| opt | Troy ounce per short ton                |       |   |
| oz  | Troy ounce                              |       |   |

**REPORTING CURRENCY**

All currency amounts in this Annual Report are stated in United States dollars unless otherwise indicated.



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**PART 1**

**ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS**

This form 20-F is being filed as an annual report under the Securities Exchange Act of 1934, as amended and as such, there is no requirement to provide any information under this item.

**ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE**

This form 20-F is being filed as an annual report under the Securities Exchange Act of 1934, as amended and as such, there is no requirement to provide any information under this item.

**ITEM 3. KEY INFORMATION**

**A. Selected Financial Data**

The following selected financial data of the Company for Fiscal 2017, Fiscal 2016, and Fiscal 2015, ended December 31<sup>st</sup>, was derived from the consolidated financial statements of the Company included elsewhere in this 20-F Annual Report. The selected financial data set forth for Fiscal 2014 and Fiscal 2013 ended December 31<sup>st</sup> are derived from the Company's audited consolidated financial statements, not included herein but can be found in past previously filed Annual Reports. All financial statements were audited by MNP LLP, Chartered Professional Accountants.

Financial statements should be read in conjunction with, and is qualified in its entirety by reference to "Item 5. Operating and Financial Review and Prospects" and our audited consolidated financial statements and the notes thereto. The consolidated financial statements of the Company have been prepared in accordance and compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").

The financial reporting represents consolidated reporting for Emgold's 100% subsidiary companies Emgold U.S. Corporation ("Emgold U.S.") Idaho-Maryland Mining Corporation ("IMMC"), and Golden Bear Ceramics Company ("GBC"). Note that GBC was dissolved in 2016.

The Company has not declared any cash or dividends on its common shares since incorporation and does not anticipate that it will do so in the foreseeable future. The present policy of the Company is to retain future earnings for use in its operations and the expansion of its business.

**Selected Consolidated Statement of Financial Position****Amount in conformity with IFRS****(Year End December 31, United States Dollars)**

|  | <b>2017</b>  | <b>2016</b>  | <b>2015</b>  | <b>2014</b>  | <b>2013</b>  |
|--|--------------|--------------|--------------|--------------|--------------|
| Total assets                             | 850,627      | 844,180      | 1,129,450    | 1,383,981    | \$1,290,459  |
| Total liabilities                        | 500,132      | 868,023      | 941,100      | 760,678      | 671,063      |
| Contributed surplus                      | 7,062,781    | 7,062,781    | 7,062,781    | 7,062,781    | 7,062,781    |
| Share capital                            | 44,035,360   | 44,035,360   | 43,975,360   | 43,935,360   | 43,687,315   |
| Warrants                                 | 686,349      | 686,349      | 686,349      | 686,349      | 686,349      |
| Deficit                                  | (51,493,995) | (51,808,333) | (51,536,140) | (51,061,187) | (50,817,049) |
| Equipment and mineral property interests | 544,113      | 594,113      | 619,113      | 1,339,231    | 1,231,071    |
| Assets held for sale                     | 154,452      | 154,452      | 490,508      | -            | -            |
| Shareholders' equity (deficiency)        | 350,495      | (23,843)     | 188,350      | 623,303      | 619,396      |
| Number of outstanding common shares      | 7,971,206    | 7,900,373    | 7,829,540    | 7,782,346    | 7,258,746    |

Table of Contents**Selected Consolidated Statement of Comprehensive Income (Loss)****Amount in conformity with IFRS****(Year End December 31, United States Dollars)**

|   | <b>2017</b> | <b>2016</b> | <b>2015</b> | <b>2014</b> | <b>2013</b> |
|---|-------------|-------------|-------------|-------------|-------------|
| Revenue   | \$ -        | \$ -        | \$ -        | \$ -        | \$ -        |
| Investment and other income                     | -           | -           | -           | -           | -           |
| General and administrative expenses             | 229,161     | 218,430     | 461,152     | 242,375     | 508,195     |
| Exploration expenses                            | 38,555      | 58,700      | 39,802      | 43,601      | 106,529     |
| Income (loss) according to financial statements | 314,338     | (272,193)   | (474,953)   | (244,138)   | (258,169)   |
| Earnings (Loss) per share – basic and diluted   | 0.04        | (0.03)      | (0.06)      | (0.00)      | (0.00)      |

**B. Capitalization and Indebtedness**

Not applicable.

**C. Reasons for the Offer and Use of Proceeds**

Not applicable.

**D. Risk Factors****Financial Risk Factors**

**Readers should carefully consider the risks and uncertainties described below before deciding whether to invest in shares of the Company's common stock.**

*Emgold currently has no source of operating cash flow, a negative working capital position, and has a history of operating losses.* Emgold currently has no revenue from mine operations and all of its mineral property interests are in the exploration stage. The Company does not expect to receive significant revenue from mine operations at any time in the near future and Emgold has had no prior years' history of earnings or operating cash flow. Neither Emgold nor

its predecessors have paid dividends on their shares since incorporation and the Company does not anticipate doing so in the foreseeable future.

The Company has potential to generate income by advancing its properties through exploration into production, by obtaining royalty or lease income from its properties, or by conducting the sale, joint venture, or other business transactions related to its properties. Because the Company currently has no significant sources of revenue, Emgold must rely on equity investment and the sale of shares to raise funds for exploration and operating costs for the Company. There is no guarantee the Company can generate sufficient revenue to fund exploration activities or operating expenses.

At December 31, 2017, Emgold had working capital deficiency of \$469,000, compared to a working capital deficit of \$782,000 at December 31, 2016. Working capital is defined as current assets less current liabilities.

***Emgold may be unable to obtain the funds necessary to hold or conduct further exploration or permitting activities for its properties.***

The Company requires additional funds to complete exploration of its properties and associated permitting and reclamation activities, excluding the Buckskin Rawhide East Property. Currently the Company is reviewing strategies for equity financings, option agreements, joint ventures, mergers, or other business transactions that may be able to carry the Company through the next year of operations and into the future. The Company cannot guarantee the success of any of these transactions. The transactions, if completed, could result in dilution of the Company's shares.

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***Changes in the market prices of gold, which have fluctuated widely, will affect our operations and can negatively impact the economic viability of the mineral properties.*** Emgold has no history of mining or current source of revenue. The Company is exploring for gold, and historically, the prices of the common shares of junior mining companies are very volatile. This volatility may be partly attributed to the volatility of gold prices, and also to the success or failure of the Company's exploration programs. The market price of gold may not remain at current levels. In particular, an increase in worldwide supply and consequent downward pressure on prices may result over the longer term from increased gold production from mines developed or expanded as a result of current metal price levels.

The ability to raise funds for exploration and development in a venture capital company is affected by factors such as the price of gold, a factor over which the Company has no control. Annual average, high and low gold prices since 2000 are shown below, demonstrating the fluctuation in the price of gold (source: Kitco.com). Metals prices also affect the rate of return of a mining property that reaches the development stage over the longer term.

**Gold Price****2000 to Present \$US**

|             | <b>Average Price</b>    | <b>High Price</b>       | <b>Low Price</b>        |
|-------------|-------------------------|-------------------------|-------------------------|
| <b>Year</b> | <b>per ounce (US\$)</b> | <b>per ounce (US\$)</b> | <b>per ounce (US\$)</b> |
| 2000        | 279.11                  | 312.70                  | 263.80                  |
| 2001        | 271.04                  | 293.25                  | 255.95                  |
| 2002        | 309.73                  | 349.30                  | 277.75                  |
| 2003        | 363.38                  | 416.25                  | 319.90                  |
| 2004        | 409.72                  | 454.20                  | 375.00                  |
| 2005        | 444.74                  | 536.50                  | 411.10                  |
| 2006        | 603.46                  | 725.00                  | 524.75                  |
| 2007        | 695.39                  | 841.10                  | 608.40                  |
| 2008        | 871.96                  | 1,011.25                | 712.50                  |
| 2009        | 972.35                  | 1,212.50                | 810.00                  |
| 2010        | 1,224.53                | 1,421.00                | 1,058.00                |
| 2011        | 1,571.52                | 1,895.00                | 1,319.00                |
| 2012        | 1,668.98                | 1,791.75                | 1,540.00                |
| 2013        | 1,411.23                | 1,693.75                | 1,195.25                |
| 2014        | 1,266.40                | 1,385.00                | 1,142.00                |
| 2015        | 1,160.06                | 1,295.75                | 1,049.40                |
| 2016        | 1,250.74                | 1,366.25                | 1,077.00                |
| 2017        | 1,257.12                | 1,346.00                | 1,150.90                |

***Fluctuations in the world markets, including the TSX Venture Exchange, can have a negative impact on the Company's share price, can have a negative impact on the availability of capital for investment in junior mining companies, and can negatively impact the Company's ability to raise funds.*** The world markets are currently being affected by a poor recovery from a major recession in the U.S., a deficit crisis in the U.S., fluctuating oil prices, political turmoil in the Middle East (Syria, Afghanistan, Iraq, Iran), political turmoil in the Ukraine, a European debt crisis, Brexit (British exist from the European Union), and other international economic and political factors. Over the past several years, there have been major fluctuations in the markets caused by the housing mortgage crisis in the U.S., bail out of several major banks world-wide, bail out of Freddie Mac and Fannie Mae in the U.S., bail out of several major automobile manufacturers world-wide, and bail out of several countries in the world such as Greece. This has caused record deficits in several countries, including the U.S. These crises, which have occurred over a multi-year period, have affected the Company's ability to raise capital and have negatively impacted the stocks of many junior exploration companies. It is likely there will be future turmoil in the world markets over the next several years, and this uncertainty may negatively impact the Company's ability to raise necessary capital and advance its exploration properties.

### **Environmental and Regulatory Risk Factors**

***Compliance with environmental regulations could affect future profitability and timeliness of operations.*** The Company's exploration activities and its potential mining and processing operations are subject to various laws governing land, air and water use, the protection of the environment, prospecting, development, production, commodity prices, exports, taxes, labour standards, occupational safety and health, waste disposal, toxic substances, mine safety and other matters. Emgold believes it is in substantial compliance with all material laws and regulations which currently apply to its activities.

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As projects advance through the exploration and development process, typically environmental baseline studies and environmental reports are required (Environmental Assessments, Environmental Impact Reports, etc.) There is no assurance that the Company will be able to obtain all permits required for exploration, development and construction of mining facilities and conduct of mining operations on reasonable terms or that new legislation or modifications to existing legislation, would not have an adverse effect on any exploration or mining project which the Company might undertake.

***Failure to comply with environmental and reclamation rules could result in penalties.*** As projects advance through exploration and the development process and into production, increasing reclamation bonding is required by government agencies. There is no assurance the Company will be able to obtain reclamation bonds or meet reclamation requirements for exploration, development and construction of mining facilities and conduct mining operations and reclamation activities on reasonable terms or that new legislation or modifications to existing legislation would not have an adverse effect on the Company's ability to obtain a reclamation bond or meet its reclamation requirements in the future.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violation of applicable laws or regulations.

Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties.

The Company is currently an exploration stage company and is currently not conducting any development, construction, or mining operations; therefore, no major reclamation liability has been accrued.

**Risk Factors Associated with Mining and Exploration**



***Emgold's exploration and development efforts may be unsuccessful in locating viable mineral resources.*** Resource exploration and development is a speculative business, characterized by a number of significant risks, including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but also from finding mineral deposits, which, though present, are insufficient in quantity and quality to return a profit from production.

There is no certainty that the expenditures to be made by the Company on the exploration of its properties and prospects as described herein will result in discoveries of mineralized material in commercial quantities.

***No Proven Reserves.*** The properties and prospects in which the Company has an interest or the properties in which the Company has the right to earn an interest are in the exploration stage only, are without a known body of economically viable ore and are not in commercial production. If the Company does not ultimately find a body of economically recoverable ore, it would either have to acquire additional exploration projects, or terminate its operations.

***Uncertainty of Reserves and Resource Estimates.*** There are numerous uncertainties inherent in estimating proven and probable reserves and measured, indicated, and inferred resources, including many factors beyond the control of the Company. The estimation of reserves and resources is a subjective process and the accuracy of any such estimates is a function of the quality of available data and of engineering and geological interpretation and judgment. Results of drilling, metallurgical testing and production and the evaluation of mine plans subsequent to the date of any estimate may justify revision of such estimates. No assurances can be given that the volume and grade of reserves recovered and rates of production will not be less than anticipated. Assumptions about prices are subject to greater uncertainty and metals prices have fluctuated widely in the past. Declines in the market price of base or precious metals also may render reserves or mineralization containing relatively lower grades of ore uneconomic to exploit. Changes in operating and capital costs and other factors including, but not limited to, short-term operating factors such as the need for sequential development of ore bodies and the processing of new or different ore grades, may materially and adversely affect reserves.

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***Emgold may not be able to market the minerals acquired or discovered by the Company due to factors beyond the control of the Company.*** The marketability of minerals acquired or discovered by the Company may be affected by numerous factors which are beyond the control of the Company and which cannot be accurately predicted, such as market fluctuations, the proximity and capacity of milling facilities, mineral markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection, the combination of which factors may result in the Company not receiving an adequate return on investment capital.

**Other Risk Factors**

***Emgold's title to mineral property interests may be challenged.*** Although Emgold has completed a review of titles to its mineral interests, it has not obtained title insurance or any formal legal opinion with respect to all of its properties and there is no guarantee of title. The mineral properties may be subject to prior unregistered agreements or transfers or native land claims, and title may be affected by undetected defects. Emgold's mineral property interests include mineral claims in British Columbia and Nevada, which have not been surveyed, and therefore, the precise area and location of such claims or rights may be in doubt. As there are unresolved native land claim issues in British Columbia, the Company's properties and prospects in this jurisdiction may be affected in the future.

***Currency fluctuations between the United States dollar and the Canadian dollar may affect Emgold's financial position and results.*** Many of Emgold's principal financial obligations are in United States dollars, which make it subject to foreign currency fluctuation and such fluctuations may materially affect its financial position and results. The Company's consolidated financial statements are reported in United States dollars and the functional currency of the Company is United States dollars.

***We may not be able to insure certain risks which could negatively impact our operating results.*** In the course of exploration, development and production of mineral properties, certain risks, and in particular, unexpected or unusual geological and operating conditions including rock bursts, unusual or unexpected formations, formation pressures, cave-ins, land-slides, fires, explosions, flooding and earthquakes, power outages, labour disruptions, and the inability to obtain suitable or adequate machinery, equipment or labour may occur. It is not always possible to fully insure against such risks and the Company may decide not to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the securities of the Company.

***U.S. investors may not be able to enforce their civil liabilities against the Company or its directors, controlling persons and officers.*** It may be difficult to bring and enforce suits against the Company. The Company is a

corporation incorporated in British Columbia under the *Business Corporations Act (British Columbia)* and, consequently, there is a risk that Canadian courts may not enforce judgements of U.S. courts or enforce, in an original action, liabilities predicated directly upon U.S. federal securities laws. A majority of the Company's directors and officers are residents of Canada and a substantial portion of the Company's assets are located outside of the United States. Consequently, it may be difficult for United States investors to effect service of process upon those directors or officers who are not residents of the United States, or to realize in the United States upon judgements of United States courts predicated upon civil liabilities under United States securities laws. It is unlikely that an original action could be brought successfully in Canada against any of such persons or the Company predicated solely upon such civil liabilities under the U.S. Securities Act.

***Emgold's directors and officers serve as directors and officers of other publicly traded junior resource companies.*** Some of the directors and officers of Emgold serve as officers and/or directors of other resource exploration companies and are engaged and will continue to be engaged in the search for additional resource opportunities on their own behalf and on behalf of other companies, and situations may arise where these directors and officers will be in direct competition with Emgold. Such potential conflicts, if any, will be dealt with in accordance with the relevant provisions of British Columbia corporate and common law. In order to avoid the possible conflict of interest which may arise between the directors' duties to Emgold and their duties to the other companies on whose boards they serve, the directors and officers of Emgold expect that participation in exploration prospects offered to the directors will be allocated among or between the various companies that they serve on the basis of prudent business judgement and the relative financial abilities and needs of such companies.

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***The Ability to Manage Growth.*** Should the Company be successful in its efforts to develop its mineral properties or to raise capital for such development or for the development of other mining ventures it will experience significant growth in operations. If this occurs management anticipates that additional expansion will be required in order to continue development. Any expansion of the Company's business would place further demands on its management, operational capacity and financial resources. The Company anticipates that it will need to recruit qualified personnel in all areas of its operations. There can be no assurance that the Company will be effective in retaining its current personnel or attracting and retaining additional qualified personnel, expanding its operational capacity or otherwise managing growth. The failure to manage growth effectively could have a material adverse effect on the Company's business, financial condition and results of operations.

***Competition.*** There is competition from other mining exploration companies with operations similar to those of the Company's. Many of the mining companies with which the Company competes have operations and financial strength many times greater than that of the Company. Such competitors could outbid the Company for such projects, equipment or personnel, or produce minerals at a lower cost which would have a negative effect on the Company's operations and financial condition.

***Emgold is dependent on its ability to recruit and retain key personnel.*** Emgold has relied on and may continue to rely upon consultants and others for exploration, development and technical expertise. The Company strongly depends on the business and technical expertise of its management and key personnel. As the Company's operations expand additional general management and human resources will be required. It may be difficult for Emgold to continue to find and retain the services of qualified personnel.

***Cybersecurity Risks.*** As is typical of modern businesses, the Company is reliant on the continuous and uninterrupted operation of its information technology ("IT") systems. User access and security of all Company sites and IT systems can be critical elements to its operations, as is cloud security, security of all of the Company's IT systems, and protection against cyber security incidents. Any IT failure pertaining to availability, access or system security could potentially result in disruption of the activities of the Company and its personnel, and could adversely affect the reputation, operations or financial performance of the Company.

Potential risks to the Company's IT systems could include unauthorized attempts to extract business sensitive, confidential or personal information, denial of access extortion, corruption of information or disruption of business processes, or by inadvertent or intentional actions by the Company's employees or vendors. A cybersecurity incident resulting in a security breach or failure to identify a security threat could disrupt business and could result in the loss of sensitive, confidential or personal information or other assets, as well as litigation, regulatory enforcement, violation of privacy or securities laws and regulations, and remediation costs, all of which could materially impact the Company's business or reputation.

**Risks Relating to an Investment in the Securities of the Company**

***The Company could be deemed a Passive Foreign Investment Company, which could have negative consequences for U.S. investors.*** Potential investors who are U.S. taxpayers should be aware that Emgold expects to be a passive foreign investment company (“PFIC”) for the current fiscal year, appears to have been a PFIC in prior years and may also be a PFIC in subsequent years. If Emgold is a PFIC for any year during a U.S. taxpayer’s holding period, then such U.S. taxpayer generally will be required to treat any so-called “excess distribution” received on its common shares, or any gain realized upon a disposition of common shares, as ordinary income and to pay an interest charge on a portion of such distribution or gain, unless the taxpayer makes a qualified electing fund (“QEF”) election or a mark-to-market election with respect to the shares of Emgold. In certain circumstances, the sum of the tax and the interest charge may exceed the amount of the excess distribution received, or the amount of proceeds of disposition realized, by the taxpayer. A U.S. taxpayer who makes a QEF election generally must report on a current basis its share of Emgold’s net capital gain and ordinary earnings for any year in which Emgold is a PFIC, whether or not Emgold distributes any amounts to its shareholders. A U.S. taxpayer who makes the mark-to-market election generally must include as ordinary income each year the excess of the fair market value of the common shares over the taxpayer’s tax basis therein. U.S. taxpayers are advised to seek the counsel of their professional tax advisors.

***The liquidity of our shares in the United States markets may be limited or more difficult to effectuate because we are a “Penny Stock” issuer.*** Emgold’s stock may be subject to U.S. “Penny Stock” rules, which may make the stock more difficult for U.S. shareholders to trade on the open market. The SEC has adopted rules that regulate broker-dealer practices in connection with transactions in “penny” stocks. Penny stocks are equity securities with a price of less than \$5.00 per share (other than securities that meet certain requirements, including, for example, securities registered on certain national securities exchanges provided that current prices and volume information with respect to transactions in such securities is provided by the exchange or system).

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The Penny Stock Rules require a broker-dealer, prior to effecting a transaction in a penny stock not otherwise exempt from such rules, to deliver a standardized risk disclosure document prepared by the SEC that provides information about penny stocks and the nature and level of risks in the penny stock market. In addition, the Penny Stock Rules require that prior to a transaction in a penny stock not otherwise exempt from such rules the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written acknowledgment of the receipt of a risk disclosure statement, a written agreement to transactions involving penny stocks, and a signed and dated copy of a written suitability statement. At the present market prices, Emgold's common shares will (and in the foreseeable future are expected to continue to) fall within the definition of a penny stock. Accordingly, United States broker-dealers trading in Emgold's shares will be subject to the Penny Stock Rules. Rather than complying with those rules, some broker-dealers may refuse to attempt to sell penny stock. As a result, shareholders and their broker-dealers in the United States may find it more difficult to sell their shares of Emgold, if a market for the shares should develop in the United States.

***Emgold's stock price may limit its ability to raise additional capital by issuing common shares.*** The low price of Emgold's common stock also limits Emgold's ability to raise additional capital by issuing additional shares. There are several reasons for these effects. First, the internal policies of certain institutional investors prohibit the purchase of low-priced stocks. Second, many brokerage houses do not permit low-priced stocks to be used as collateral for margin accounts or to be purchased on margin. Third, some brokerage house policies and practices tend to discourage individual brokers from dealing in low-priced stocks. Finally, broker's commissions on low-priced stocks usually represent a higher percentage of the stock price than commissions on higher priced stocks. As a result, Emgold's shareholders pay transaction costs that are a higher percentage of their total share value than if Emgold's share price were substantially higher. It may be necessary for the Company to complete a share consolidation in order to attract additional equity financing in the future.

***The market for the Company's stock has been subject to volume and price volatility, which could negatively affect a shareholder's ability to buy or sell the Company's shares.*** The market for the common shares of the Company may be highly volatile for reasons both related to the performance of the Company or events pertaining to the industry as well as factors unrelated to the Company or its industry.

In 2007 and continuing, the U.S. credit markets began to experience serious disruption due to a deterioration in residential property values, defaults and delinquencies in the residential mortgage market (particularly, sub-prime and non-prime mortgages) and a decline in the credit quality of mortgage backed securities. These problems led to a slow-down in residential housing market transactions, declining housing prices, delinquencies in non-mortgage consumer credit and a general decline in consumer confidence. These conditions have continued, causing a loss of confidence in the broader U.S. and global credit and financial markets and resulting in the collapse of, and government intervention in, major banks, financial institutions and insurers and creating a climate of greater volatility, less liquidity, widening of credit spreads, a lack of price transparency, increased credit losses and tighter credit conditions. Notwithstanding various actions by the U.S. and foreign governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial

institutions caused the broader credit markets to further deteriorate and venture stock markets to decline substantially. In addition, general economic indicators can affect the markets including declining consumer sentiment, increased unemployment and declining economic growth and uncertainty about corporate earnings. Economic factors in Europe, Asia and elsewhere around the world may cause further deterioration in economic indicators. Potential exists for interest rate increases as the U.S. deficit grows, which may further slow economic recovery.

These unprecedented disruptions in the current credit and financial markets have had a significant material adverse impact on a number of financial institutions and have limited access to capital and credit for many companies. These disruptions could, among other things, make it more difficult for us to obtain, or increase our cost of obtaining, capital and financing for our operations. The Company's access to additional capital may not be available on terms acceptable to it or at all.

***The Company's share price is subject to reductions and downward pressures from significant potential equity dilution.*** A summary of Emgold's diluted share capital is as follows: Emgold has 265,000 stock options outstanding (at December 31, 2017), which are exercisable at prices ranging from Cdn \$1.00 to \$1.50 per share which is above the current market price for the Company's shares and makes it unlikely that the options will be exercised before expiry and acts as an upside damper on the trading range of Emgold's shares. At December 31, 2017, there were no warrants exercisable. The resale of outstanding shares from the exercise of dilutive securities would have a depressing effect on the market for Emgold's shares if there is a significant increase in the Company's share price. Dilutive securities, based on the trading range of Emgold's common shares, at December 31, 2017, include no warrants and underlying warrants and the 265,000 stock options above, which collectively represent approximately 3% (2016 - 6%) of Emgold's issued shares as at December 31, 2017.

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ITEM 4. INFORMATION ON THE COMPANY

**A. History and Development of the Company**

Emgold Mining Corporation (“Emgold” or the “Company”) was originally incorporated under the Company Act (British Columbia) as 361869 BC Ltd. on March 17, 1989. The Company’s name was changed to HLX Resources Ltd. (“HLX”) on July 19, 1989. On August 31, 1989, HLX was amalgamated with four mineral exploration companies - Eastern Mines Ltd. (incorporated March 10, 1980), Gallant Gold Mines Ltd. (incorporated January 18, 1979), Silver Sceptre Mines Ltd. (incorporated March 10, 1980) and Standard Gold Mines Ltd. (incorporated February 6, 1980). Eastern Mines Ltd., Silver Sceptre Mines Ltd. and Standard Gold Mines Ltd. originally had exploration properties in the Terrace Bay area of Ontario. Gallant Gold Mines Ltd. originally had exploration properties in the Rossland-Trail area of British Columbia. After the amalgamation, the resulting company continued to be named HLX Resources Ltd.

On March 30, 1992, HLX changed its name to Emperor Gold Corporation at which time a special resolution of the shareholders was passed to consolidate the common shares on a five old for one new common share basis and to increase the authorized share capital from 10,000,000 common shares without par value and 50,000,000 first preference shares without par value, to 50,000,000 common shares without par value and 50,000,000 first preference shares without par value. The Company’s memorandum and articles were amended to reflect this change.

On August 12, 1997, the Company’s memorandum and articles were again amended as the Company changed its name to Emgold Mining Corporation. The name was changed due to the fact that there was an unrelated mining company with a very similar name to the Company, with offices in Vancouver, British Columbia.

In fiscal 2002, the Company’s share capital was increased from 100,000,000 to 550,000,000 shares without par value, divided into 500,000,000 Common Shares without par value and 50,000,000 First Preference Shares without par value, each share having attached thereto the special rights and restrictions set out in the Articles of the Company. The Company was continued under the Business Corporations Act in British Columbia in June 2005, and the authorized share capital of the Company was changed to an unlimited number of common shares without par value and an unlimited number of first preference shares.

The Company currently has two operating subsidiaries in the U.S:



On July 29, 1993, the Company incorporated a 100 percent owned Nevada subsidiary company called Emperor 1. Gold (U.S.) Corporation. On January 12, 2004, the Company changed the name of Emperor Gold (U.S.) Corporation to Idaho-Maryland Mining Corporation.

2. On August 28, 2000, the Company incorporated a 100 percent owned Nevada Subsidiary called Emgold (U.S.) Corporation.

On August 28, 2000, the Company incorporated a Nevada subsidiary called Holly Corporation. Holly Corporation was established as a 100 percent subsidiary of Emgold (U.S.) Corporation. On April 14, 2003, the Company changed the name of Holly Corporation to Golden Bear Ceramics Company. In 2016, the Company dissolved Golden Bear Ceramics Company.

The Company is in the business of acquiring, exploring, and developing mineral properties. For many years, the Company was principally engaged in permitting and developing the I-M Project located near the City of Grass Valley (the "City") in Nevada County, California, U.S.A. The Company originally acquired the rights to the I-M Project in August 1993. Over the next five years, significant expenditures were made on the I-M Project. An Environmental Impact Report was successfully completed to dewater and explore the Idaho-Maryland Mine and a National Pollution Discharge Elimination System Permit obtained. However, in the late 1990's, subsequent to the BRE-X fiasco and with a decreasing gold price, it became impossible to raise capital to continue with the exploration the I-M Project. Gold prices continued to drop and the Company wrote-down the Property for a nominal carrying value of \$1 in 1999. The lease option to purchase agreement on the I-M surface property and mineral rights with the BET Group was eventually dropped. Permits to dewater the mine were cancelled or expired.

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Emgold remained interested in the I-M Project and continued to pursue various financing alternatives. In fiscal 2002, the Company renegotiated the terms and conditions of a lease option to purchase agreement with the BET Group for certain property and mineral rights in Grass Valley. Emgold renamed its 100 percent owned Nevada subsidiary company Emperor Gold (U.S.) Corporation to the Idaho-Maryland Mining Corporation (the “IMMC”), to hold and develop the I-M Project. Activities and expenditures related to the I-M Project were completed through this subsidiary.

In 2003, Emgold acquired the licensing rights to a ceramics technology called Ceramext® from Ceramext LLC and changed the name of its 100 percent owned Nevada Corporation subsidiary company, then called Holly Corporation, to Golden Bear Ceramics Company (“GBC”). Emgold recognized the potential application of the Ceramext® hot vacuum extrusion technology for the I-M Project (to eliminate the requirement for surface tailings and waste rock disposal) and as a business opportunity for processing a wide range of mineral waste materials to produce high quality recycled stone and ceramic building materials on a global basis. Emgold initiated work to commercialize the technology and to set up a research and development facility in Grass Valley, CA. GBC subsequently determined that it could produce high quality stone and ceramic building materials from mine development rock and tailings from the I-M Project or other similar operations by using equipment and technology available in the commercial market place. GBC was able to produce prototypes of stone and ceramics building products from a wide variety of siliceous waste materials and raw materials, including mine tailings, fly ash and other waste materials, that would otherwise be disposed of in landfills. Products included high-strength, low-porosity, industrial stone and ceramic building products such as, floor tile, wall tile, and roof tile with potential for additional products to be produced in the future.

In 2005, Emgold commenced permitting of the I-M Project with acceptance of its Permit Applications by the City of Grass Valley, Nevada County, California (the “City”). The I-M Project was being permitted according to the California Environmental Quality Act (“CEQA”), the California Surface Mining and Reclamation Act (“SMARA”), and other applicable federal, state, and local legislation. The City has been designated to be the Lead Agency in the permitting process. The City commenced work to complete the permitting process for the Project, which was divided into three phases: Phase 1 was the Master Environmental Assessment, Phase 2 was the Initial Study and Phase 3 was the Environmental Impact Report. The City subsequently would need to approve a Conditional Use Permit for the I-M Project. Phase 1 and 2 were completed. The I-M Project included a gold mine and mill that would potentially be operated through Idaho-Maryland Mining Corporation and recycled tile manufacturing facility that would be operated through Golden Bear Ceramics Company.

In 2007, the world’s economy started to be negatively impacted by the subprime mortgage crisis which led to the Great Recession. The Toronto Venture Exchange, where Emgold is listed, was severely impacted. In 2008, the Draft Environmental Impact Report was completed for the I-M Project (part of Phase 3 of the permitting process). Due to depressed equity markets, Emgold was unable to raise additional funds to continue the permitting process for the I-M Project.

In December 2009, the Company terminated its licence agreement with Ceramext LLC for the Ceramext® technology. The Company continued, unsuccessfully, to try to raise funds to advance the I-M Project through permitting. In 2011, Emgold's applications with the City of Grass Valley were "deemed withdrawn" due to inactivity. In 2013, Emgold management allowed the Lease and Option to Purchase Agreement with the BET Group to expire.

In 2016, with continued poor equity markets affecting the junior mining sector, Emgold management made the decision to sell its remaining properties in Grass Valley as real estate and focus on other assets of the Company. GBC was dissolved. The Company began to search for another core asset to replace the I-M Project. In 2017, the Company announced a Letter of Intent to option the Golden Arrow Property, located in Nevada, from Nevada Sunrise Gold Corporation. If successful in completing this acquisition, scheduled to occur in 2018, Golden Arrow would become the new core property for the Company.

Emgold has additional mineral properties: the Rozan Property in B.C. (fully vested), the Stewart Property in B.C. (fully vested), the Buckskin-Rawhide East Property in Nevada (fully vested), the Buckskin Rawhide West Property in Nevada (under option), and the Koegel Rawhide Property in Nevada (under option). All the Canadian properties are located in the Nelson mining district north of Ymir in south-eastern British Columbia, Canada. Nevada properties are in the Rawhide mining district near Fallon, Nevada. Emgold is advancing these properties with exploration, as funds allow, with the goal of delineating mineral resources.

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**B. Business Overview**

General

*Nature of Company:* Emgold is a mineral exploration and mine development company with properties in the western U.S. and Canada.

The Company has an early stage gold and silver exploration project called the Buckskin-Rawhide East Property in Nevada, The Property has been leased to RMC who plan to conduct exploration and, if exploration is successful, potentially bring any resources discovered into commercial production at the adjacent Denton Rawhide Mine. Emgold receives an annual advance royalty payment from RMC and, if the property achieves commercial production, Emgold would receive production royalty payments. A number of exploration targets have been identified and drilled on the property but currently no NI 43-101 compliant resources have been delineated.

Emgold also has two additional early stage exploration projects in Nevada called Buckskin Rawhide East and Koegel Rawhide. These properties are located near the Rawhide Mine. To date, Emgold has done limited exploration on these properties but Emgold management believes there is potential for both high grade vein and bulk disseminated mineralization similar in nature to Denton Rawhide Mine.

Emgold has two early-stage mineral exploration projects in British Columbia that contain gold, silver, molybdenum, tungsten, and other mineralization. These properties have been drilled by a number of companies over the years, with further work being completed by Emgold since their acquisition. The properties have potential for high grade vein, breccia pipe, porphyry, and other styles of mineralization.

Emgold management is currently evaluating a number of properties that are available in the current poor equity markets with the goal acquiring one or more advanced stage exploration properties, subject to obtaining the necessary financing to acquire and advance any acquisitions. On 18 July 2017, the Company announced it had signed a Letter of Intent to acquire the Golden Arrow Property in Nevada from Nevada Sunrise Gold Corporation. Acquisition of an initial 51 percent interest in this property is scheduled to occur in 2018, subject to meeting regulatory requirements and obtaining the necessary financing.

The Golden Arrow Property is an advanced-stage exploration property with a comprehensive exploration database including geochemical sampling, geophysics, and over 190,000 feet of reverse circulation and diamond core drilling. On May 11, 2016, Nevada Sunrise obtained approval of a Plan of Operations (the "Plan") and an Environmental Assessment (the "EA") for the Golden Arrow Property from the U.S. Bureau of Land Management (the "BLM"). The Plan and EA contemplate approximately 240,000 feet (73,170 metres) of drilling in up to 240 holes to explore for new areas of gold mineralization on 1,500 acres of the property and to potentially expand the known gold resources. Having the Plan and EA already in place will allow Emgold to move forward quickly with a major drilling program on the Golden Arrow Property once it has secured the necessary funding.

To date, two main exploration targets have been drilled on the Golden Arrow Property focusing on bulk disseminated mineralization – the Gold Coin and Hidden Hill deposits. Numerous other exploration targets have been identified for

exploration. Emgold management believes there is potential to expand both the Hidden Hill and Gold Coin resources and for discovery of other bulk disseminated mineralization on the Golden Arrow Property. In addition, historic underground mine workings lie along the Page Fault and other structures on the Golden Arrow Property that have been subject to very limited modern exploration, if any, to evaluate their potential. Emgold management believes these structures have potential for high grade vein mineralization (i.e. mineralization greater than 0.1 opt gold equivalent).

(i) *Principal Markets*: Not Applicable.

(ii) *Seasonality*: Not Applicable.

(iii) *Raw Materials*: Not Applicable.

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(iv) *Marketing Channels*: Not Applicable.

(v) *Dependence*: Not Applicable.

(vi) *Competitive Position*: Not Applicable.

*Material Effect of Government Regulation*: The Company's exploration activities and its potential mining and processing operations are subject to various laws governing land use, the protection of the environment, prospecting, development, production, contractor availability, commodity prices, exports, taxes, labour standards, occupational safety and health, waste disposal, toxic substances, mine safety and other matters. The (vii) Company believes it is in substantial compliance with all material laws and regulations that currently apply to its activities. There is no assurance that the Company will be able to obtain all permits required for exploration, any future development and construction of mining facilities and conduct of mining operations on reasonable terms or that new legislation or modifications to existing legislation would not have an adverse effect on any exploration or mining project which the Company might undertake.

Idaho-Maryland Mining Corporation

For many years, the Company, through its 100% owned Nevada registered subsidiary Idaho-Maryland Mining Corporation, was seeking to reopen the historical Idaho-Maryland Mine (also referred to in this Annual Report as "I-M Project"), in accordance with all applicable federal, state, and local laws and regulations. The Company formally applied to the City of Grass Valley ("City") for a Conditional Mining Use Permit ("CMUP") on February 9, 2005, and the Project Applications were received as substantially complete on May 24, 2005. The City completed Phase 1 of the permitting process with the completion of a Master Environmental Assessment ("MEA") in June 2006 and Phase 2 with the completion of an Initial Study ("IS") on January 8, 2008. The Company then made modifications and clarifications and completed a 2007 Revised Project Applications, which was accepted by the City in May 2007.

Phase 3, the preparation of an Environmental Impact Report ("EIR"), was commenced by the City in June 2008. A Draft EIR was completed in October, 2008. The public hearings related to the Draft EIR were completed in January 2009. The Draft EIR was positive, with air quality identified as the only concern that could not be successfully mitigated due to the fact that Nevada County is a non-attainment area for ozone related gases due to ozone blowing into the Sierra Foothills from the Bay and Sacramento area several days during the year. The Company's internal review of the Draft EIR concluded that the City and its consultants had failed to analyze the cleanup of historic tailings on the Idaho-Maryland site and this failure would require a revised Draft EIR and recirculation for public comment. After meeting with various public agencies in the first half of 2009 and knowing that re-circulation would be required, the Company elected to make several improvements to the I-M Project based on its internal review of the Draft EIR and analysis of public comment.

The Company's 2011 Revised Project Application was accepted by the City in May 2011. The City then completed a competitive bid process in November 2011 and elected to retain a new consultant to complete the EIR process. With a budget, scope, and schedule now available to complete Phase 3 of the permitting process, the Company attempted to raise the equity funds necessary to complete Phase 3 of the permitting process. With worsening equity markets resulting from the Great Recession and economic instability on a world-wide basis, the Company was unable to raise the fund necessary to move forward with the permitting process. On 07 September 2012, Emgold put out a press release that the City had deemed its applications "withdrawn" due to lack of activity.

The Company had a mining lease and option to purchase agreement (the "BET Agreement") for the I-M Project that was originally signed in 2003 and had a five-year term. The BET Agreement covers the lease and purchase of approximately 2,750 acres of mineral rights and 91 acres of surface rights associated with the Idaho-Maryland Project. The BET Agreement had been extended three times, with the last extension from February 1, 2011, for an additional two years to February 1, 2013. On February 1, 2013, the BET Agreement expired, as announced by press release dated 01 February, 2013.

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Over the years, IMMC had acquired several properties and some mineral rights in Grass Valley, in addition to property it controlled under the BET Agreement. IMMC acquired 53 acres of surface properties and subsurface mineral rights of 70% of the Dana-Christopher Columbus patented mining claims and 100% of the Golden Gate West and Golden Gate East subsurface patented mining claims, totalling about 30 acres. These mineral rights are contiguous to the BET mineral rights and consist of only subsurface mineral rights.

On September 3, 2013, Emgold announced it had sold 18 acres of non-core land in Grass Valley through a real estate transaction for proceeds of \$450,000. In 2016, due to continuing poor equity markets, Emgold management made the decision to sell its remaining real estate in Grass Valley. On March 21, 2016, Emgold announced it had sold 27 acres of land as a real estate transaction for proceeds of \$350,000. Emgold has one remaining property for sale in Grass Valley, totalling 7 acres that is listed for \$179,000.

Emgold management is searching for acquisition opportunities, primarily in Nevada, to replace the I-M Project. In 2017, Emgold announced that it has signed a Letter of Intent to option and acquire a majority interest in the Golden Arrow Property, Nevada from Nevada Sunrise Gold Corporation. Should financing be obtained and such an acquisition be made, IMMC may be used as a subsidiary to hold this acquisition and the subsidiary would likely undergo a name change.

## Emgold (US) Corporation

Emgold (US) Corporation is a 100% owned Nevada registered subsidiary of Emgold Mining Corporation. It holds Emgold's current Nevada properties as assets including the Buckskin Rawhide East, Buckskin Rawhide West, and Keogel Rawhide Properties.

## Golden Bear Ceramics Company

Emgold, through its formerly 100% owned Nevada registered Golden Bears Ceramics Company ("GBC"), had developed a recycling technology because of its potential to provide a tailings management strategy for the I-M Project while contributing a significant revenue stream to the mine. The Company believed there was a global business opportunity to process a wide range of siliceous waste and naturally occurring materials to produce high quality recycled stone and ceramic building materials (floor tile, wall tile, roof tile, etc.).



When the I-M Project was put on hold, the Company attempted to finance GBC and its recycled stone and ceramics processing facility separately from Emgold, to allow GBC to pursue opportunities for growth on a global basis and construct a series of production plants not associated with the I-M Project. However, the potential to commercialize this technology was negatively impacted by the Great Recession and subprime mortgage crisis – which in turn negatively impacted the building products industries.

In 2016, Emgold made the decision to write off its investment in GBC and dissolve the subsidiary to allow the Company to focus on its other assets.

### **C. Organizational Structure**

At the commencement of 2017, the Company had two direct and indirect wholly owned subsidiaries, Idaho-Maryland Mining Corporation (formerly Emperor Gold (U.S.) Corp.) and Emgold (U.S.) Corporation (“Emgold US”), all incorporated in the State of Nevada. Unless the context otherwise requires, references herein to the “Company” or “Emgold” include the subsidiaries of the Company.

### **D. Property, Plant and Equipment**

The Company has mineral exploration interests in six properties: the Buckskin-Rawhide East Property (Nevada), the Buckskin Rawhide West Property (Nevada), the Koegel Rawhide Property (Nevada), the Stewart Property (British Columbia), the Rozan Property (British Columbia), and certain real estate and mineral rights that were part of the I-M Project (California).

None of the Company’s projects has known reserves, and all proposed programs are exploratory in nature.

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**Buckskin Rawhide East Property, Nevada**

***Property Location and Geology***

The Buckskin Rawhide East Property is adjacent to the Rawhide Mining LLC's operating Rawhide Mine about 40 miles southeast of Fallon, Nevada. The Rawhide Mine was owned and operated by Kennecott Minerals Company ("Kennecott") from 1988 to 2009. In 2010, it was acquired by RMC. They continued to produce gold from historic heap leach pads remaining after Kennecott ceased mining activity in 2003 due to low metal prices. In 2012, RMC resumed mining activities at Rawhide Mine to take advantage of today's high metal prices. Historically, the Rawhide Mine is reported to have produced 1.7 million ounces of gold and 14.1 million ounces of silver from 1990 to 2014 (Nevada Bureau of Mines and Geology Special Publication MI-2014). The Rawhide Mine abuts the Buckskin Rawhide East Property on the east and south.

The Buckskin Rawhide East Property is also adjacent to the Regent Property. The Regent Property was acquired by RMC in 2012 from Pilot Gold Corporation. The Regent Property was previously explored and drilled by Kennecott in the 1990's and by Pilot in 2011. The Regent Property abuts the Buckskin Rawhide East Property on the north and on the west. RMC is currently completing an Environmental Impact Statement to bring a deposit located on the Regent Property into production as a satellite operation of Rawhide Mine.

The Buckskin Rawhide East Property is a volcanic-hosted, structurally controlled, epithermal gold-silver target situated in the Walker Lane gold belt of western Nevada. The Walker Lane is a regional shear zone and known gold trend that has hosted large and small historic and recent gold-silver mines in western Nevada, including mines of the Comstock Lode, Tonopah District and Rawhide District. From 1981 through 2009, mines located in Mineral County that were situated in the Walker Lane gold trend have produced 2,800,448 ounces of gold and 56,112,442 ounces of silver (Muntean, 2010). The Property has potential for both high grade gold and silver vein targets and low-grade bulk disseminated gold and silver targets.

***Property Ownership***

The Buckskin Rawhide East Property consists of 52 unpatented mineral claims. Forty-six of the claims were originally part of a Lease and Option to Purchase Agreement with Nevada Sunrise LLC that was signed by the Company in 2010. Emgold subsequently staked six additional claims in 2011. In 2012, Emgold signed an Option Agreement to acquire 100% interest in the 46 claims that were part of the Lease and Option to Purchase Agreement and subsequently acquired them through a series of transactions with the underlying property owners between 2012 and 2014. In 2014, Emgold leased the 52 claims making up the Buckskin Rawhide East Property to RMC. The main terms of the lease agreement are:

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. Upon bringing the property into commercial production, RMC will make "Bonus Payments" to Emgold. Bonus Payments will be US\$15 per ounce of gold when the price of gold ranges between US\$1,200 per ounce and
7. 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  
After meeting its exploration requirements, should RMC subsequently elect to drop the Property or decide not to
8. 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 required complete \$500,000 in exploration related expenditures on the property by 31 May 2016. As of that date, \$325,000 in exploration related expenditures had been completed by RMC. On 01 June 2016, Emgold announced that Emgold and RMC had mutually agreed to amend the original lease agreement and that RMC would pay Emgold the remaining \$175,000 in exploration related expenditures as cash payments to Emgold, in seven quarterly payments of \$25,000, starting on 01 June 2016. These payments were completed in 2017.

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***Exploration Activity***

The Buckskin Rawhide East Property was previously explored and drilled by Kennecott Minerals. Historic RC drilling on the property in the 1980's and 1990's totalled 113 holes and 53,370 feet. Results indicated the potential for high grade mineralized gold/silver veins and bulk minable disseminated gold/silver zones.

In 2010, Emgold completed rock chip sampling and grab sampling of the Black Eagle vein area of the Buckskin Rawhide Property. Sampling results were announced in Emgold's January 12, 2011 news release and included very high-grade chip samples, including the best sample averaging 9.00 ounces per ton gold and 17.58 ounces per ton silver. A high-grade mineralized shoot was delineated in the Black eagle vein, about 300 feet in strike length.

In 2011, Emgold continued sampling of the Black Eagle Fault. The Company expanded the Buckskin Rawhide East Property by staking 6 claims totalling 120 acres. The Company also announced initial results of surface sampling of the Chicago Mountain area. A bulk disseminated gold exploration target, called the Chicago Mountain Bulk Disseminated Target, was identified being approximately 4,000 feet long by 400 feet wide. A total of 105 historic grab samples in the target area averaged 0.04 ounces per ton gold. Emgold has taken 15 samples in this target area to date, with average grades of 0.02 ounces per ton gold. Ten reverse circulation drill holes were drilled by Kennecott historically in the mineralized area, with the average grade of mineralization in the holes being 0.008 ounces per ton gold and mineralization to a depth of 165 feet (and open to expansion at depth).

In 2012, Emgold continued sampling, mapping, and analysis of historic and Company sampling at Buckskin Rawhide East Property to further delineate the Black Eagle and Chicago Mountain Zones. On 30 January 2012, Emgold announced results of continuing surface exploration on two previously identified exploration targets, the Black Eagle High Grade Vein Target and the Chicago Mountain Bulk Disseminated Target. Samples were also taken along the Black Eagle Fault (which contained the Black Eagle High Grade Vein Target) and a new fault that was discovered by geological mapping.

In 2013, RMC conducted exploration drilling on the Buckskin Rawhide East Property (22 holes totalling 7,100 feet).

**Buckskin Rawhide West Property, Nevada**

***Property Location and Geology***

The Buckskin Rawhide West Property is an early stage gold/silver exploration property located west of the Buckskin Rawhide East Property and Rawhide Mine, and south of the Regent Property. The Buckskin Rawhide West Property is situated within the Walker Lane structural zone and gold belt of western Nevada. The Walker Lane is a regional shear zone of right lateral strike slip faulting and a known gold trend that hosts large and small historic and currently

operating gold-silver mines, including mines of the Comstock Lode, Tonopah Mining District and Rawhide Mining District.

The geology and mineralization on the Property are associated with lithologic units and structures of the Rawhide volcanic centre, as well as structures from the Walker Lane and Basin and Range. The Property has potential for both high grade gold and silver vein targets and low-grade bulk disseminated gold and silver targets.

Table of Contents***Property Ownership***

The Company has a lease and option to purchase agreement with Jeremy Wire, an individual, for 21 unpatented mining claims at Buckskin Rawhide West. The terms of this agreement were disclosed in an Emgold news release dated 24 January 2012. Emgold has agreed to lease the Property from Jeremy Wire subject to the following payments:

**Terms of Lease Agreement with J. Wire****Buckskin Rawhide West**

| <b>Year</b> | <b>Advance<br/>Royalty<br/>Payment</b> |
|-------------|--|
| 2012        | \$10,000 (1)                           |
| 2013        | \$10,000 (2)                           |
| 2014        | \$10,000 (2)                           |
| 2015        | \$20,000 (3)                           |
| 2016        | \$30,000 (3)                           |
| 2017        | \$30,000 (3)                           |
| 2018        | \$30,000 (3)                           |

Notes:

- (1) An initial lease payment paid 50% in cash and 50% in Emgold common shares.
- (2) Lease payments may be paid in cash or Emgold common shares, at the discretion of Emgold.
- (3) Lease payments may be paid in cash or Emgold common shares, at the discretion of the Lessor. Shares will be issued at "market value" which means the volume weighted closing price of the shares on the TSX Venture Exchange or the most senior stock exchange or quotation system on which the shares are then listed or quoted for fifteen (15) trading days ending on the date that is five (5) business days before the applicable payment.

During the lease period, Emgold may conduct exploration and, if warranted, complete a NI 43-101 Technical Report on the Property. On making the above payments, Emgold will acquire 100% ownership of the Property. In the event that commercial production occurs, Mr. Wire will be entitled to a two percent Net Smelter Royalty on production from the Property. Emgold will retain the right to purchase this royalty for \$1 million, less any advance royalty payments already made.

***Exploration Activity***

Minimal exploration has been done on the Property to date and the acquisition of the Property was initially done because of its strategic location to the Rawhide Mine, the Regent Property, and the Buckskin Rawhide East Property.

### **Koegel Rawhide Property, Nevada**

#### ***Property Location and Geology***

The Koegel Rawhide Property is an early stage gold/silver exploration property located about four miles south of the Denton Rawhide Mine, a gold/silver mine that is owned and operated by Rawhide Mining LLC. The Property has potential for both high grade gold and silver vein targets and low-grade bulk disseminated gold and silver targets.

The Koegel Rawhide Property is situated within the Walker Lane structural zone and gold belt of western Nevada. The Walker Lane is a regional shear zone of right lateral strike slip faulting and a known gold trend that hosts large and small historic and currently operating gold-silver mines, including mines of the Comstock Lode, Tonopah Mining District and Rawhide Mining District. The geology and mineralization on the Property are associated with lithologic units and structures of the Rawhide volcanic centre, as well as structures from the Walker Lane and Basin and Range.

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***Property Ownership***

Emgold's has a lease and option to purchase agreement with Jeremy Wire, an individual, for 19 unpatented mining claims at Koegel Rawhide. The terms of this agreement were disclosed in an Emgold news release dated 06 February 2012. Emgold has agreed to lease the Property from Jeremy Wire subject to the following payments:

**Terms of Lease Agreement with J. Wire**

**Koegel Rawhide**

| <b>Year</b> | <b>Advance<br/>Royalty<br/>Payment</b> |
|-------------|--|
| 2012        | \$10,000 (1)                           |
| 2013        | \$10,000 (2)                           |
| 2014        | \$10,000 (2)                           |
| 2015        | \$20,000 (3)                           |
| 2016        | \$30,000 (3)                           |
| 2017        | \$30,000 (3)                           |
| 2018        | \$30,000 (3)                           |

Notes:

(1) An initial lease payment paid 50% in cash and 50% in Emgold common shares.

(2) Lease payments may be paid in cash or Emgold common shares, at the discretion of Emgold.

(3) Lease payments may be paid in cash or Emgold common shares, at the discretion of the Lessor. Shares will be issued at "market value" which means the volume weighted closing price of the shares on the TSX Venture Exchange or the most senior stock exchange or quotation system on which the shares are then listed or quoted for fifteen (15) trading days ending on the date that is five (5) business days before the applicable payment.

During the lease period, Emgold may conduct exploration and, if warranted, complete a NI 43-101 Technical Report on the Property. On making the above payments, Emgold will acquire 100% ownership of the Property. In the event that commercial production occurs, Mr. Wire will be entitled to a two percent Net Smelter Royalty on production from the Property. Emgold will retain the right to purchase this royalty for \$1 million, less any advance royalty payments already made.



Emgold subsequently has staked 17 additional unpatented mining claims (see 15 February 2012 press release) increasing the size of the Koegel Rawhide Property to 36 unpatented mineral claims totalling 720 acres.

### ***Exploration Activity***

Geologic mapping by Charles P. Watson, a consulting geologist, in the years 1991-1992, indicated the Property is covered mostly by Tertiary (Pliocene) age intermediate volcanic rocks including andesitic tuff breccias, sills and dikes. The volcanic units have been folded into minor anticlines and faulted. Faults of several orientations occur on the Property with north, northwest and northeast trends. Hydrothermal alteration (clay and silica) is present and is associated with structures and mineralization.

Gold and silver mineralization is present at Koegel Rawhide, based on historic randomly spaced surface sampling. A total of 464 samples were taken in geologically derived locations by consulting geologist Charles P. Watson in the years 1991-1992. The results of the historic grab samples ranged from non-detectable to 2 ounces per ton gold, and from non-detectable to 11 ounces per ton silver. The methods and quality control from the historic sampling are unknown and cannot be verified under NI 43-101, but the results are considered reliable for exploration purposes.

In 27 February and 28 March 2012 press releases, Emgold announced results of due diligence soil and rock chip sampling and analysis of historic soil and rock chip sampling at Koegel Rawhide. The Company identified a high-grade vein target called T-10 with this sampling. Potential exists for both high grade vein and bulk disseminated gold and silver targets on the Property.

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**Stewart Property, British Columbia**

***Property Location and Geology***

The Stewart Property is an early stage poly-metallic exploration property located near the town of Ymir in south-eastern British Columbia. The Property consists of 28 mineral tenures totalling 5,789 hectares (15,305 acres). The Property is located in the Nelson Mining District and is a large regional geologic trend of gold, silver, molybdenum, tungsten, copper, and other mineralization.

The Stewart Property contains a number of gold, molybdenum, tungsten and silver-lead-zinc prospects that have been discovered by historic and recent exploration activity. The Property has been assessed by various operators since 1940's exploring for various types of mineralization. A significant amount of historic data is available from those programs for use in guiding current exploration efforts.

Exploration, to date, has included geological mapping, geochemical sampling, geophysics, trenching, and diamond drilling. This work has identified five key exploration targets. The targets include:

1. The Stewart Moly Zone
2. The Arrow Tungsten Zone
3. The Craigtown Creek Gold Zone
4. The Stewart Creek Gold Zone
5. The Free Silver Zone

***Property Ownership***

Pursuant to an option agreement entered into in 2001 and completed in 2008, the Company acquired a 100% right, title and interest in and to the Stewart Property by making payments totalling Cdn\$104,000 and issuing 260,000 common shares, subject only to a 3% NSR payable to the optionors. The Company has the right to purchase 2/3 of the NSR for the sum of Cdn\$1,000,000 and has the first right of refusal to purchase the remaining 1/3.

***Exploration Activity***

The Stewart Property has been subject to an exploration activity by numerous companies over the years, many focusing on different metals. In 2001 Emgold conducted soil geochemistry sampling to verify prior historic work. In

2003 Emgold added airborne geophysics (magnetics, resistivity, and electromagnetics). In 2004, Emgold completed a 6 hole drill program (1530 meters or 5,108 feet) in the Craigtown Creek Gold Zone, resulting in several gold intersections. In 2005 Emgold completed a 5-hole diamond drill program (404.5 meters or 1,327 feet) in the Stewart Moly Zone, including twinning of historic holes. Both high grade and low-grade molybdenum mineralization was intersected. In 2007, Emgold completed 28 trenches and 30 diamond drill holes (3,338 meters or 10,950 feet of drilling) focused on the Arrow Tungsten Zone. Both high and low-grade tungsten mineralization was encountered. In 2011, The Company drilled 19 diamond drill holes (2,526 meters or 8,287 feet) focussed on the Stewart Moly Zone. The drilling focused on the Stewart Moly Zone with the goal of defining and expanding the Zone. Both high grade and low-grade molybdenum mineralization was identified, with the presence of potential by-product metals gold and rhenium.

In 2012, the Company drilled 11 diamond drill holds (1,445 meters or 4,739 feet) of NQ size core. The drilling focused on the Stewart Creek Gold Zone, the Free Silver Zone, and the Stewart Moly Zone. Gold was intersected in the Stewart Creek Gold Zone, resulting in the discovery of a new gold exploration target. Low grade lead and zinc mineralization was encountered in drilling in the Free Silver Zone, warranting additional future work. The Stewart Moly Zone was extended to depth.

The property is held until 2023 without any additional work requirements.

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

#### ***Property Location and Geology***

The Rozan Property is an early stage poly-metallic exploration property located near the town of Nelson, in south-eastern British Columbia. William Rozan staked the area in 1928 and operated a small scale high grade gold mining operation on the Property until the early 1970's. The Property consists of 32 mineral tenures covering an area of 1,950 hectares (4,819 acres). The Property is located in the Nelson Mining District and is a large regional geologic trend of gold, silver, molybdenum, tungsten, copper, and other mineralization.

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Exploration, to date, has included geological mapping, geochemical sampling, geophysics, trenching, and diamond drilling. This work has identified 10 exploration targets to date, of which only two have been tested. Three of these targets called the Main Vein Zone, Sheeted Vein Zone, and West Vein Zone have had some initial diamond drilling completed on them with several gold intersections.

***Property Ownership***

In 2000 the Company acquired 100% of the rights to the Rozan Property, a prospect located south of the community of Nelson in the Red Mountain area of southeastern British Columbia. The Company earned its interest in the Property by making stepped payments totalling Cdn\$100,000 and issuing 200,000 common shares. In fiscal 2006 the claims were transferred to the Company. The Property is subject to a 3% NSR. The Company has the right to purchase 2/3 of the NSR for the sum of Cdn\$1,000,000 and has the first right of refusal to purchase the remaining 1/3. Currently the Property consists of 32 mineral claims totalling 1,950 acres.

In December 2010, the Company entered into a Lease and Option to Purchase Agreement (the “Agreement”) with Valterra Resource Corporation (“Valterra”). The Agreement called for cumulative work commitments of \$1,000,000 over five years, with a commitment of \$50,000 in 2010, \$200,000 in 2011, and \$250,000 in each of years 3 to 5. The term of the Agreement was for a period of 5 years, with property payments of cash, common shares and five-year warrants to be made by Valterra to the Company during the lease as follows:

**Terms of Option Agreement with Valterra Resources**

| <b>Period</b> | <b>Cdn\$</b> | <b>Shares</b> | <b>5 Year Warrants</b> |
|---------------|--------------|---------------|------------------------|
|               | Nil          | 50,000        | 50,000                 |
| Signing       |              |               |                        |
| Year 1        | \$30,000     | 50,000        | 50,000                 |
| Year 2        | \$30,000     | 50,000        | 50,000                 |
| Year 3        | \$40,000     | 50,000        | 50,000                 |
| Year 4        | \$40,000     | 50,000        | 50,000                 |
| Year 5        | \$60,000     | 100,000       | 100,000                |
| Total         | \$200,000    | 350,000       | 350,000                |

Upon completion of the lease payments and work commitments, Valterra would have acquired the Rozan Property, subject to an underlying NSR. Valterra was to use its best efforts to complete a NI 43-101 resource estimate for the Property by Year 5, subject to results obtained from exploration and development work.

In January 2011, Emgold and Valterra agreed to an amendment to the agreement whereby Valterra requested, and Emgold agreed, to accept securities of Valterra in satisfaction of the Year 1 cash payment of Cdn\$30,000. In February 2011 Emgold received the shares and warrants as specified in the agreement, and 600,000 units of Valterra in satisfaction of the Cdn\$30,000 cash payment. One unit of Valterra is comprised of one common share of Valterra and one warrant to acquire one additional share at an exercise price of Cdn\$0.10 per share for a period of 24 months from the date of issue.

In January 2012, The Rozan Property was returned to Emgold's ownership when Valterra was unable to meet its work commitments for 2011.

### ***Exploration Activity***

An initial work program on the Rozan Property was completed in fiscal 2000, and exploration programs required for assessment purposes and under the terms of the option agreement have been completed each year. In 2000, Emgold collected 169 soil samples and 19 rock chip samples, conducted a magnetometer geophysical survey and diamond drilled two BQ size holes to test a granodiorite ridge hosting sheeted stockwork veining and a second hole to test the Main Vein.

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In 2003, Emgold retained Furgo Airborne Surveys Corp. who flew 161 line kilometres along NE-SW oriented flight lines using a DIGHEM V EM-MAG geophysical system to cover the Rozan Property. The survey identified 167 anomalies, with 88 traceable to discrete bedrock sources often indicative of conductive sulphides and several discrete weak conductors where located.

During 2004, the Company completed follow up soil sampling over the airborne anomalies. A total of 333 soil samples and 9 rock samples were collected. Several correlations were discovered between areas of anomalous magnetic and electromagnetic features, areas of mineralized veining, and alteration mapped during prospecting, as well as with gold-in-soil geochemical anomalies.

During 2007, a single drill hole of 107.29 meters (352 feet) in length was completed on the Property. This drill hole was designed to test the northern strike extension to the gold-bearing Rozan Main Vein. Further testing along the Main Vein, and within the stock work mineralized zone to the east was postponed due to weather limitations.

In fiscal 2009, the Property was optioned to Valterra. In 2010 and 2011, Valterra conducted topographical and geophysical compilation studies and re-logged, resampled and catalogued the historic drill core. In 2011, all previous soil sampling campaigns on the Property were digitally compiled into a single database (1,637 samples) by Valterra and tied to corrected UTM, NAD83 co-ordinates based on available grid stations identified/found from the old grid. The historic soil geochemical data was scanned and optically recognized using analytical certificates from assessment and company reports. Valterra conducted geological mapping (approximately two square kilometres) which indicated that the Jurassic aged Nelson Intrusions consisting of granodiorite and porphyritic diorite extend further north than previously thought, expanding the potential for further precious and base mineralization within and adjacent to the intrusives and Elise Formation mafic to intermediate tuffaceous rocks. The mapping also discovered that the Mount Verde fault consists of an approximately 200 meter (656 foot) wide breccia zone with local zones of extensive shearing. Coincident with the Mount Verde fault is spotty but strongly anomalous gold and molybdenum in soils. Also in 2011, Valterra conducted soil sampling comprising approximately 150 samples, to infill a gap in the historic soil sampling coverage and to expand the soil survey to the north. Results of the 2011 soil sampling compiled with previous soil samples has defined an area 1.8 by 1.6 kilometers (1.1 by 1.0 miles) in size with several gold anomalies based on a 55 part per billion gold grade contour. The gold in soil anomaly appears to have two preferential orientations being NW-SE and NE-SW. The northwest orientation is related to the contact between Elise Formation tuffaceous rocks to the west and granodiorite to the east. Gold values in soils ranged from 0.300 to 2.625 parts per billion. Mapping was completed for gold, arsenic, molybdenum, iron, tungsten and manganese. Assaying was done by Acme Labs of Vancouver, an independent laboratory, following standard laboratory procedures, with standard quality control measures (Payne, C., 2011).

A total of 10 gold anomalies were identified by Valterra in 2011. A NW-SE trending gold soil anomaly (Target A) extends for some 1.8 kilometers (1.1 miles) and is up to 200 meters (656 feet) wide (true width is unknown). Along

the surface trace of the Mount Verde fault there is a strong anomaly (Target B) identified by gold, tungsten, arsenic, and manganese in the soils. The remaining gold soil anomalies are generally NE-SW oriented and are considered related to high grade or sheeted quartz vein gold mineralization (most of which remain unexplained) on the Property.

Of the NE 'trends', three targets C, D and G appear to be the most significant. Targets C and D are two sub-parallel NE trending gold in soil anomalies located within granodiorite and may suggest that the sheeted quartz vein system located at the NE end of the soil anomalies extends some 500 meters (1,640 feet) further to the SW. Trend G appears to originate at the historic Rozan workings and extends some 450 meters (1,476 feet) to the SW.

In 2012, Emgold completed 1,495 meters (4,903 feet) of diamond drilling consisting of 15 holes. Five holes tested the Main Vein Zone. Three holes tested the Sheeted Vein Zone. Five holes tested the West Vein Zone. Two holes tested an area north of the Sheeted Vein Zone.

The property is held until 2023 without any additional work requirements.

### **Idaho-Maryland Project, California**

#### ***Property Location and Geology***

The I-M Project is located 1.5 miles east of downtown Grass Valley, Nevada County, within the State of California. The I-M Project is within the area of influence of the city of Grass Valley as defined in their 2020 General Plan. Both Grass Valley and Nevada City are Sierra Nevada foothill communities located approximately 20 miles north of Auburn and approximately 55 miles northeast of Sacramento. Highway 49 and Highway 20 connect the Grass Valley/Nevada City area regionally.

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The historic Idaho-Maryland Mine was originally discovered in 1851. It was in production from 1862 through 1956 and was the second largest historical underground gold producer in California. Total recorded production was 2,383,000 ounces of gold from 5,546,000 short tons for a recovered grade of 0.43 ounces of gold per short ton. The Idaho-Maryland Mine is located adjacent to the historic Empire Mine, the largest historical underground producer in California, reportedly producing 5.8 million ounces of gold. It was Newmont Mining Corporation's first operating mine and Newmont maintains the mineral rights to the property. Within a three mile radius of the Idaho-Maryland Mine, the historic mines in the Grass Valley District produced a reported 13 million ounces of gold. Including placer gold, the Grass Valley District is reported to have produced 17 million ounces of gold.

The I-M Project and the Grass Valley Mining District are situated in the northern portion of the Sierra Nevada Foothills Gold Belt, a geographic area containing many historic gold mines. This belt averages 50 miles in width and extends for 320 miles in a north-northwest orientation along the western slope of the Sierra Nevada range. The location of the Sierra Nevada Foothills Gold Belt coincides closely with a zone of metamorphic rocks and regional faults known as the outcrop area of the Sierra Nevada Foothills Metamorphic Belt. The deposit is mesothermal.

***Property Ownership***

In fiscal 2002, the Company negotiated a lease and option to purchase agreement with the BET Group for the main Idaho-Maryland mineral rights (2,750 acres) and certain surface properties in rights 9 the Grass Valley Mining District, California. This was called the BET Agreement. The initial term of the BET Agreement was five years, commencing on June 1, 2002, and ending on May 31, 2007. The BET Agreement was subsequently extended three times, ultimately to February 2, 2013.

In 2004, the Company acquired approximately 45 acres of land, locally called the Lausman Property. In 2009, the Company acquired 7.13 acres of land, locally called the Round Hole Property, in Grass Valley, California.

In fiscal 2005 the Company acquired subsurface mineral rights of 70% of the Dana-Christopher Columbus patented mining claims and 100% of the Golden Gate West and Golden Gate East subsurface patented mining claims, totalling about 30 acres

The I-M Project, at year end 2012, comprised approximately 2,800 acres of subsurface mineral rights and 128 acres of surface rights. The surface rights were centered around three of the historic mine shafts at the properties. The properties comprised the 84 acre Idaho-Maryland site (including the 28 acre Lausman Property), the 37 acre New Brunswick site, and the 7 acre Round Hole site. The mineral rights are severed from the surface rights at variable depths from surface, with all mineral rights being contiguous below 200 ft from surface. Most of the Property was



located in the City of Grass Valley, but the New Brunswick Property is located in Nevada County adjacent to the City.

In February 2013, due to poor equity market conditions, the BET Agreement was allowed to expire and Emgold no longer controlled the main surface rights or mineral rights associated with the I-M Project. In 2013, the Company elected to sell 18 acres of the 45 acre Lausman Property as a real estate transaction for gross proceeds of \$450,000. In 2016, with continuing poor equity markets, Emgold management elected to divest of its remaining properties in Grass Valley as real estate transactions. On 15 March 2016, the Company sold the remaining 27 acres of the 45 acre Lausman Property as a real estate transaction for gross proceeds of \$350,000.

At this point in time, the Company's remaining interests in Grass Valley include the Round Hole Property for sale at an asking price of \$179,000 and its interest in the Dana-Christopher Columbus and Golden Gate East and West mining claims.

### *Exploration and Permitting Activity*

The Company originally leased properties that made up the core of the I-M Project from the BET Group in 1993. The Company completed engineering and technical work, baseline studies and an Environmental Impact Report in 1996 and obtained Conditional Mine Use Permit ("CMUP") and National Pollution Discharge Elimination System ("NPDES") Permit to dewater and explore the mine in 1997. Unfortunately, the BRE-X fiasco impacted the mining industry in 1997 and subsequently many world banks sold of their gold reserves driving the price of gold below \$300 per ounce. Financing opportunity collapsed for the junior mining industry and Emgold was forced to abandon the Idaho-Maryland Project.

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In 2003, Emgold re-leased the core properties of the I-M Project from the BET Group. The Company formally applied to the City of Grass Valley (“City”) for a new CMUP on February 9, 2005, and the Project Applications were received as substantially complete on May 24, 2005. Following this, the City completed Phase 1 of the permitting process with completion of a Master Environmental Assessment (“MEA”) in June 2006. Phase 2, the Initial Study (“IS”), was completed on January 8, 2008. The Company then made modifications and clarifications and completed a 2007 Revised Project Applications, which was accepted by the City in May 2007.

Phase 3, the preparation of an Environmental Impact Report (“EIR”), was commenced by the City in June 2008. A Draft EIR was completed in October, 2008. The public hearings related to the Draft EIR were completed in January 2009. The Draft EIR was positive, with air quality identified as the only concern that could not be successfully mitigated due to the fact that Nevada County is a non-attainment area for ozone related gases due to ozone blowing into the Sierra Foothills from the Bay and Sacramento area several days during the year. The Company’s internal review of the Draft EIR concluded that the City and its consultants had failed to analyze the cleanup of historic tailings on the Idaho-Maryland site and this failure would require a revised Draft EIR and recirculation for public comment. After meeting with various public agencies in the first half of 2009 and knowing that re-circulation would be required, the Company elected to make several improvements to the I-M Project based on its internal review of the Draft EIR and analysis of public comment.

The Company’s 2011 Revised Project Application was accepted by the City in May 2011. The City then completed a competitive bid process in November 2011 and elected to retain a new consultant to complete the EIR process. With a budget, scope, and schedule now available to complete Phase 3 of the permitting process, the Company requested 90 days to complete financing activities to allow it to move forward with the permitting process. The Company indicated it might take longer than 90 days to complete financing, given the poor equity markets. At the end of the 90 days, the Company updated the City, explaining the continuing poor equity markets, and asked for another 90 days to obtain financing. The City elected to give the Company 180 days, or until September 10, 2012 or the Company’s applications would be “deemed withdrawn” and would have to be resubmitted when the Company had sufficient funds in place. On September 7, 2012, with worsening equity markets, the Company put out a press release and notified the City that the applications would be deemed withdrawn.

In parallel to the permitting activities, Emgold was computerizing geologic and survey data from historic mine maps and creating a computerized database of historic drill hole and assay information. An NI 43-101 compliant resource estimate was completed in December 2002, 2004, and subsequently updated in 2009. These are available for information purposes under Emgold’s filings on Sedar.com but are not reported here as Emgold no longer controls the I-M Project.

## **Exploration Expenditures**

**Cash Expenditures**

Emgold's principal cash capital expenditures (there have been no material divestitures) over the last three fiscal years ended December 31 are as follows:

i) Amounts Deferred (capitalized or invested)

**Emgold Principal Capital Expenditures (3 Year)**

|             | <b>Mineral Property Interests (Cumulative)</b> | <b>Equipment (Cumulative)</b> |
|-------------|--|-------------------------------|
| <b>Year</b> |  |                               |
| 2017        | 544,113  | -                             |
| 2016        | 594,113  | -                             |
| 2015        | 619,113  | 610                           |

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ii) Amounts expensed

Exploration expenses in the last three fiscal years ended December 31 are as follows:

**Emgold Exploration Expenses (3 Years)**

| <b>Year</b> | <b>Idaho-Maryland</b> | <b>BC Properties</b> | <b>Other Prospects</b> | <b>Nevada<br/>Properties</b> | <b>Total</b> |
|-------------|-----------------------|----------------------|------------------------|------------------------------|--------------|
| 2017        | \$16,961              | \$-                  | \$12,055               | \$9,539                      | \$38,555     |
| 2016        | \$49,161              | \$-                  | \$-                    | \$9,539                      | \$58,700     |
| 2015        | \$30,332              | \$-                  | \$-                    | \$9,470                      | \$39,802     |

No Golden Bear costs were expensed in any of the last three fiscal years.

ITEM 4A. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion and analysis should be read in conjunction with the audited consolidated financial statements of Emgold Mining Corporation for the years ended December 31, 2017, 2016, and 2015, and the related notes thereto. Our consolidated financial statements as of and for the years ended December 31, 2017, 2016, and 2015 have been prepared in conformity with IFRS.

Overview

Emgold is a mineral exploration company with no producing properties and consequently has no current operating income or cash flow. All of Emgold's short to medium-term operating and exploration cash flow must be derived from external financing. Emgold expects to raise additional financing to continue advancing its current exploration properties and acquire additional assets

Critical accounting policies and changes in accounting policies

The preparation of financial statements requires management to establish accounting policies, estimates and assumptions that affect the timing and reported amounts of assets, liabilities, revenues and expenses. These estimates are based upon historical experience and on various other assumptions that management believes to be reasonable, under the circumstances, and require judgment on matters that are inherently uncertain. A summary of the Company's significant accounting policies is set out in Note 3 of the Company's consolidated financial statements for the year ended December 31, 2017, 2016, and 2015.

Recent accounting pronouncements

A summary of recent accounting pronouncements issued which may affect the Company in the future is set out in Note 6 of the Company's consolidated financial statements for the year ended December 31, 2017, 2016, and 2015.

**A. Operating Results**

**Year Ended December 31, 2017 ("fiscal 2017") Compared to Year Ended December 31, 2016 ("fiscal 2016")**

Emgold's income in fiscal 2017 was \$314,338 or an earnings per share of \$0.04 compared to a loss of \$272,193 or a loss per share of \$0.03 in fiscal 2016. This includes \$38,555 in exploration costs incurred in fiscal 2017, compared to \$58,700 incurred in fiscal 2016. Emgold's accounting policy is to expense exploration costs until the Company reaches the development stage on its mineral property interests.

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Management and consulting fees increased to \$128,000 in fiscal 2017 from \$117,000 in fiscal 2016, due the Company's increased focus on corporate development.

Professional fees decreased to \$28,000 in fiscal 2017 from \$39,000 in fiscal 2016, due to less activity in the Company affecting the professional cost of compliance.

Listing fees increased to \$22,000 in fiscal 2017 from \$15,000 in fiscal 2016, due to fees relating to the share consolidation that occurred during the year.

The Company had a gain of \$588,000 on the write off of related party debt, as the CEO forgave his outstanding salary payable.

Exploration expenses – Idaho-Maryland Project:

Direct exploration expenditures on the I-M Project decreased to \$16,961 in fiscal 2017 from \$49,161 in fiscal 2016.

Exploration expenses – Buckskin Rawhide East, Buckskin Rawhide West, and Koegel Rawhide Properties, Nevada

Exploration expenditures on the Buckskin Rawhide East, Buckskin Rawhide West, and Koegel Rawhide Properties was \$9,539 in fiscal 2017, \$9,539 in fiscal 2016.

Exploration expenses - British Columbia Properties

Exploration expenditures on the Stewart and Rozan Properties were \$nil in fiscal 2017, \$nil in fiscal 2016.

Exploration expenses – general property search

Exploration expenditures for general property searches were \$12,055 in fiscal 2017, and \$nil in fiscal 2016.

**Year Ended December 31, 2016 (“fiscal 2016”) Compared to Year Ended December 31, 2015 (“fiscal 2015”)**

Emgold’s loss in fiscal 2016 was \$272,193 or a loss per share of \$0.03, compared to a loss of \$474,953 or a loss per share of \$0.06 in fiscal 2015. This includes \$58,700 in exploration costs incurred in fiscal 2016, compared to \$39,802 incurred in fiscal 2015. Emgold’s accounting policy is to expense exploration costs until the Company reaches the development stage on its mineral property interests.

Impairment of mineral properties of \$257,942 was booked in fiscal 2015 due to the Company having no current exploration plans for the two properties in British Columbia.

Management and consulting fees decreased to \$117,000 in fiscal 2016 from \$125,000 in fiscal 2015, due to the Company taking specific actions to reduce these fees.

Exploration expenses – Idaho-Maryland Project:

Direct exploration expenditures on the I-M Project increased to \$49,161 in fiscal 2016 from \$30,332 in fiscal 2015.

Exploration expenses – Buckskin Rawhide East, Buckskin Rawhide West, and Koegel Rawhide Properties, Nevada

Exploration expenditures on the Buckskin Rawhide East, Buckskin Rawhide West, and Koegel Rawhide Properties was \$9,539 in fiscal 2016, and \$9,470 in fiscal 2015.

Exploration expenses - British Columbia Properties

Exploration expenditures on the Stewart and Rozan Properties were \$nil in fiscal 2016 and 2015.

**B. Liquidity and Capital Resources**

Financial Conditions for year ended December 31, 2017

Historically, the Company’s primary source of funding is and has been the issuance of equity securities for cash, primarily through private placements to sophisticated investors and institutions. The Company has issued common shares pursuant to private placement financings and the exercise of warrants and options.

The current market conditions, the challenging and inhospitable funding environment and the low price of the Company's common shares make it difficult to raise funds through private placements of shares. In addition, the Company must endeavour to minimize dilution to existing shareholders. There is no assurance that the Company will be successful with any financing ventures. Please refer to Item 3 – Key Information – section D - Risk Factors in this document.



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At December 31, 2017, the Company had a working capital deficiency of \$469,000 defined as current assets less current liabilities, compared with working capital deficiency of \$782,000 at December 31, 2016. The Company's consolidated financial statements were prepared using International Financial Reporting Standards applicable to a going concern. Several adverse conditions cast substantial doubt on the validity of this assumption – see “Going Concern” disclosure below. When the Company has unused cash, it primarily invests its unused cash in guaranteed investment certificates which are redeemable in full after 30 days with interest or in treasury bills. There have been no investments in commercial paper. Where the initial term of the guaranteed investment certificate is greater than 90 days it is recorded as a short-term investment.

Operations for the year ended December 31, 2017, have been funded primarily from sale of real estate holdings in Grass Valley, lease and advance royalty payments from Rawhide Mining LLC, and loans from related parties.

## Potential Restrictions on Transfer of Funds by Subsidiaries

The Company had two subsidiaries at the beginning of 2017, all of which were Nevada incorporated corporations. There are no currency restrictions on transfer of funds from the United States to Canada.

The Company currently has no source of operating cash flow and has a history of operating losses. Emgold currently has no revenue from operations and all of its mineral property interests are in the exploration or development stages. The Company does not expect to receive significant revenue from operations at any time in the near future, and Emgold has had no prior years' history of earnings or operating cash flow. Neither Emgold nor its predecessors have paid dividends on their shares since incorporation and the Company does not anticipate doing so in the foreseeable future.

## Investing Activities

As at December 31, 2017, Emgold has capitalized \$544,113 (2016 – \$594,113; 2015 – \$619,113) representing costs associated with the acquisition of its mineral property interests in Nevada and British Columbia.

In 2015, Emgold has listed its land in California for sale. Under IFRS 5, the Company classified the mineral property in California, in the amount of \$490,508 as held for sale as at December 31, 2015. On March 15, 2016, the Company

sold one property with 27 acres of land for the gross amount of \$350,000; cost of the property was \$336,056.

### Capital Resources

At December 31, 2017, Emgold's working capital, defined as current assets less current liabilities, was a deficit of \$469,000, compared to a working capital deficiency of \$782,000 in 2016 and \$931,000 in fiscal 2015. The Company's continued operations are dependent upon the Company's ability to obtain sufficient financing to carry on planned operations. Currently, the Company does not have sufficient working capital to carry on planned operations, and will have to cease operations, if it is unable to raise funds for general corporate maintenance.

Additional financing will be required in fiscal 2017 in order for the Company or its projects to move forward. The Company currently does not have sufficient working capital for the next full year of operations and will therefore need to raise additional capital to continue operations, as it currently has no source of revenue. Such financing may be achieved through the sale or option of exploration properties, sale of real estate in Grass Valley, exercise of share purchase warrants, and through the issuance of common shares or other forms of financing.

### Share Capital

#### 2017

At December 31, 2017 the Company had 7,971,206 (2016 – 7,900,373) common shares issued and outstanding. Subsequent to 31 December 2017, the Company issued 428,572 common shares increasing the fully diluted amount to 8,399,778.

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The Company's continued operations are dependent upon the Company's ability to obtain sufficient financing to carry on planned operations. Currently, the Company does not have sufficient working capital to carry on planned operations and will have to cease operations if it is unable to raise funds for general corporate maintenance.

2016

At December 31, 2016 the Company had 7,900,373 (2015 – 7,829,540) common shares issued and outstanding. Subsequent to 31 December 2016, the Company issued 70,833 common shares increasing the fully diluted amount to 7,971,206.

The Company's continued operations are dependent upon the Company's ability to obtain sufficient financing to carry on planned operations. Currently, the Company does not have sufficient working capital to carry on planned operations and will have to cease operations if it is unable to raise funds for general corporate maintenance. On 17 February 2016, the Company issued 70,833 common shares in connection with its previously signed mineral property agreements with a contract value of \$60,000.

2015

On April 20, 2015, the Company issued 47,222 common shares in connection with its previously signed mineral property agreements with a contract value of \$40,000.

**The securities offered have not been registered under the United States Securities Act of 1933, as amended, and may not be offered or sold in the United States absent registration or an available exemption from the registration requirements.**

Options and Warrants

2017

As at December 31, 2017, the Company had no warrants outstanding.

2016

During the year ended December 31, 2016, a total of 250,000 warrants expired, with an average exercise price of Cdn \$1.00.

2015

During the year ended December 31, 2015, a total of 196,666 options expired, with an average exercise price of Cdn \$1.60.

During the year ended December 31, 2015, a total of 566,358 warrants expired, with an average price of Cdn \$1.90.

Financing Activities

2017

No financing activity was completed in 2017. Further financing will be required for corporate overhead costs, advancing the Company's exploration properties, or for acquisitions. The Company is evaluating various financing options including equity financing, joint ventures, mergers, sale of assets, and other business transactions for the above.

2016 and 2015

No financing activity was completed in 2016 and 2015.

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### Going Concern

At December 31, 2017, the company has a working capital deficit and substantial additional financing will be required for both corporate overhead and to advance the Company's exploration and development properties. Executive salaries are being deferred voluntarily, together with Board remuneration and management and consulting fees, until such time as new financing is available.

The need to raise working capital directly impacts the ability of the Company to undertake planned exploration programs. Sufficient work has been undertaken on all of the Company's current mineral property interests in Canada to hold the properties until 2023. The Company has optioned its Buckskin Rawhide East Property to RMC who are currently covering its holding costs as part of the lease agreement. The Buckskin Rawhide West and Koegel Rawhide Properties can be held in the short term by payment of cash or the issuance of shares, at the election of the Lessor.

If the Company is unable to perform additional exploration work in future years or with exploration partners, it may be necessary to write-down additional mineral property interests in future periods, and there is substantial doubt as to the Company's ability to continue as a going concern, without raising equity fund or completing some form of joint venture. If additional working capital is not raised, the Company might have to terminate its lease on the Buckskin Rawhide West Property in Nevada or the Koegel Rawhide Property in Nevada.

The Company's ability to continue as a going concern is contingent on its ability to obtain additional financing. The current equity and financial market conditions, the challenging environment for raising monies, and the low price of the Company's common stock make it difficult to obtain additional funding by private placements of shares. There is no assurance that the Company will be successful with any financing ventures. It is dependent upon the continuing financial support of shareholders and obtaining financing to continue exploration and/or development of its mineral property interest. While the Company is expanding its best efforts to achieve its plans by examining various financing alternatives including reorganizations, mergers, sales of assets, or other form of equity financing, there is no assurance that any such activity will generate funds that will be available for operations.

In 2017, the Company completed a 10:1 share consolidation in an effort to attract new equity investment. In addition, the Company announced a Letter of Intent to option an advanced stage exploration property called Golden Arrow from Nevada Sunrise Gold Corporation to obtain a new core asset to replace the I-M Project. The Golden Arrow Property is located in Nevada and has synergy with Emgold's other existing properties in Nevada.

The consolidated financial statements do not include any adjustments to the recoverability and classification of recorded assets, or the amounts of, and classification of liabilities that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

### Plans for 2018

The Company continues to focus financing activities for both corporate overhead and to advance its exploration and development properties. It is estimated that the Company requires on average about \$20,000 per month to support its corporate overhead and hold its existing properties. The Company's priority in 2018, due to continuing poor equity markets, is to raise sufficient capital to support its overhead costs and hold its properties, until equity markets improve. If additional funds can be raised, it will advance its properties as those funds allow.

The Company will evaluate potential business transactions including equity financings, joint ventures, mergers, sale of assets, and other business transactions that will generate funds to support the Company. Currently plans are to option the Golden Arrow Property from Nevada Sunrise Gold Corporation. The Golden Arrow Property will replace the I-M Project as Emgold's core asset. Completion of the option agreement is subject to regulatory approval and financing.

Should the Company not obtain sufficient financing to continue operations, the Company might elect to drop its leases on the Buckskin Rawhide West and Keogel Rawhide Properties. Should the company not obtain regulatory approval or sufficient financing to continue operations, the option of the Golden Arrow Property would not be completed.

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Contractual Obligations in 2018

The Company signed a promissory note with David Watkinson whereby he advanced \$25,000 to the Company. The promissory note bears interest at a rate of 1% per month, 12% per annum. Interest shall be payable monthly in arrears on the last business day of each calendar month commencing the first full month after the date of the advance.

See Item 5.F. for a table of contractual obligations at December 31, 2017.

**C. Research and development, patents and licenses**

Not applicable

**D. Trend information**

Gold Prices

As a natural resource exploration company, Emgold's activities are cyclical as metals prices have traditionally been cyclical in nature. The recent trend for metals prices has been somewhat volatile for gold and silver. From a historical perspective Emgold has strategically focused its exploration activities on potential gold-based prospects. The mineral exploration industry had been through a very difficult period with low prices (in relation to operating costs) for both precious and base metals over the period from 1999 to 2004 and again from 2011 to present. The lack of interest in minerals over these periods led to low market capitalizations for many exploration companies and large corporations found it was easier to expand by purchasing companies or mines rather than exploring for them. This led to downsizing of large company exploration departments and many mining industry professionals left the industry. As a result of these trends, there are fewer good gold and silver projects in the exploration and development stages and a significant shortage of experienced engineers and geoscientists in the mining industry. With improving metal prices and increasing demand, especially from Asia, supply difficulties may occur in the future and there is a discernible need for good exploration projects based on sound geological work.

See the risk section for average, high and low gold prices to the date of the filing of this Annual Report on Form 20-F.

**E. Off-balance sheet arrangements**

The Company does not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the Company’s financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

**F. Tabular disclosure of contractual obligations**

The following table summarizes the Company’s short-term and long-term obligations as at December 31, 2017:

**Emgold Short-Term and Long-Term Obligations (\$US)**

|   | <b>January 1,<br/>2017, to<br/>December<br/>31, 2017</b> | <b>1-2<br/>years</b> | <b>2-3<br/>years</b> | <b>3-4<br/>years</b> | <b>4-5<br/>years</b> | <b>5<sup>th</sup> and<br/>subsequent<br/>years</b> | <b>Total<br/>(to 5<br/>years</b> |
|---|--|----------------------|----------------------|----------------------|----------------------|--|----------------------------------|
| Accounts payable and accrued liabilities, including related parties | \$500,132  | \$868,023            | \$-                  | \$-                  | \$-                  | \$-  | \$868,                           |

Safe Harbour

See above – “Cautionary Statement Regarding Forward-Looking Information.”



Table of Contents**ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES****A. Directors and Senior Management**

The following table lists the directors and senior management of the Company. The directors have served in their respective capacities since their election and/or appointment and will serve until the next annual general meeting or until a successor is duly elected, unless the office is vacated in accordance with the Articles of the Company.

**Senior Officers and Directors of Emgold**

| <b>Name and Position</b>  | <b>Other Principal Directorships</b> | <b>Shares Beneficially Owned as at December 31, 2017</b> | <b>% Of Issued And Outstanding</b> | <b>Principal Business Activities Outside the Company</b>   |
|---|--------------------------------------|--|------------------------------------|--|
| William J. Witte, –<br>Independent Director                               | None                                 | 5,750  | 0.07%                              | Businessman and<br>Mining Consultant   |
| David Watkinson, President<br>and Chief Executive Officer<br>and Director | Northaven<br>Resource<br>Corporation | 85,000   | 1.01%                              | None   |
| Andrew MacRitchie,<br>Independent Director                                | None                                 | 37,000   | 0.46%                              | CFO, Helio Resources<br>CFO,<br>CFO, Skeena Resources<br>Limited,<br>CFO, EROS Resources<br>Corp |
| Allen Leschert,<br>Non-Executive Chairman of<br>the Board, Independent    | Northaven<br>Resource Corp.          | NIL  | 0.00%                              | President, Armex<br>Mining Corp.   |

Director

Grant T. Smith

|                         |     |     |       |  |
|-------------------------|-----|-----|-------|--|
| Chief Financial Officer | N/A | NIL | 0.00% | Senior Partner, Clearline<br>Chartered Accountants |
|-------------------------|-----|-----|-------|--|

David Watkinson, P. Eng., President and CEO, brings over 33 years of professional engineering experience in underground and open pit mine development, including mine permitting, engineering, feasibility, construction, and operations to Emgold. In addition, he has extensive experience in project management, having taken projects from grass roots start-up to successful operating status. Mr. Watkinson has been responsible for management of large capital projects and operations in Canada, the United States and the Philippines. He has held progressively senior positions with Placer Dome Inc., Kinross Gold Corporation, Thyssen Mining Construction and Vulcan Materials Company. Mr. Watkinson holds a B.Sc. in Applied Science, Mining Engineering, from Queen's University in Kingston, Ontario (1985) and is a Registered Professional Engineer in the Province of Ontario. Mr. Watkinson joined Emgold on June 22, 2006 and served as V.P. of Operations for Idaho-Maryland Mining Corporation. He was subsequently appointed as a director and President and Chief Operating Officer of Emgold on July 25, 2007, and President of the Company on October 16, 2007. In May 2010, Mr. Watkinson was appointed as President and Chief Executive Officer, merging the Chief Operating Officer and Chief Executive Officer positions. Mr. Watkinson is President of two non-profit organizations in California, Sierrans for Responsible Resource Development and Sierrans for Responsible Resource Development Charitable Fund.

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Grant T. Smith, CFO, is a Chartered Accountant and has over a decade of experience in the accounting field. He is the senior partner with Clearline Chartered Accountants, a firm of chartered accountants with offices in Vancouver, North Vancouver and White Rock. Mr. Smith serves as the CFO for several Canadian TSX Venture mining companies with operations in Canada, the USA, and Mexico. Prior to establishing Clearline, Mr. Smith was at PricewaterhouseCoopers where he spent several years working with companies operating in the mineral sector. He also has extensive experience serving private companies in various industries as well as not-for-profit organizations. Mr. Smith is also active in serving his community, supporting both the arts and social services by serving on various Boards, until recently he was the President of the Vancouver Chamber Choir and served as the treasurer of the MS Society for five years. Mr. Smith is currently the treasurer of the Honour House Society. He holds a BFA (1984) from York University and received his designation as a CA in 2005. Mr. Smith became CFO of the Company on September 1, 2012.

William (Bill) J. Witte, Independent Director, has been an officer and director of the Company since June 1999. From 1995 to joining the Company in 1999, Mr. Witte was self-employed. From 1992 to 1995 he was an engineering manager and project manager, with Fluor Daniel Wright Inc. Mr. Witte has more than 40 years of mining, engineering, business, and entrepreneurial experience. He holds degrees in both Civil (University of Nevada, Reno 1976) and Mechanical Engineering (University of Arizona 1978), and is a registered Professional Engineer in the Province of British Columbia. His mining and engineering experience covers not only all aspects of mine exploration, process research and development, and operations, but also engineering, construction and corporate management. Mr. Witte has been responsible for various aspects of the financing, construction, design and operation of over 200 mining and technology projects around the world. Mr. Witte served as President or Chief Executive Officer of the Company from July 24, 2002 until August 1, 2007.

Andrew MacRitchie, Independent Director, has over 16 years of experience in various mineral exploration finance and accounting roles. Since 2016, Andrew has been Chief Financial Officer for Skeena Resources, an exploration company with projects in British Columbia. Since 2016, he has been Chief Financial Officer of Eros Resources, an exploration company with properties in Saskatchewan and Nevada. Since 2007, Mr. MacRitchie has been Chief Financial Officer of Helio Resource Corp., a gold exploration company with projects located in Africa. Between 2003 and 2007 he worked for Quorum Management Services as Corporate Controller. Quorum provided accounting services for a group of exploration stage companies (including Emgold) with gold, silver, and base-metal projects located in North and South America. Mr. MacRitchie holds a B.Sc. Honors degree from the University of British Columbia and received his Chartered Professional Accountant designation in 2003 while articling with PricewaterhouseCoopers. Mr. MacRitchie became an Independent Director of the Company on May 22, 2012.

Allen Leschert, Non-Executive Chairman of the Board and Independent Director, is a senior member of the securities bar in Vancouver B.C. with over 31 years of experience with public mining and exploration companies. He has pioneered a number of unique public company financing and transaction structures and has handled numerous public mining transactions, listings, joint ventures, financings, corporate takeovers, mergers and acquisitions in Canada and internationally. He is President of Armex Mining Corp. (a private B.C. based company) He holds an LLB from the

University of Victoria and a B.Com. (with distinction) from the University of Alberta. Mr. Leschert became an Independent Director of the Company on August 21, 2013. He was subsequently appointed Non-Executive Chairman of the Board on November 27, 2013.

#### Technical Consultants and Employees

Robert R. Pease, B.Sc., M.Sc., CPG., is a Certified Professional Geologist with a B.Sc. (1976) and M.Sc. (1979) in geology from University of Nevada, Reno. He has 40 years of diversified experience in mineral development and engineering geology in the mining and construction industries. He has managed exploration projects and his field geology work led to discoveries of lode and placer gold and bedded barite deposits in Nevada and California. He has an extensive background in Mother Lode and Basin-Range geology applied to gold deposits and industrial minerals; surface and underground geologic mapping; core and RC drilling and sampling in difficult ground conditions; engineering geology, and project reclamation. He is also experienced with geologic modeling using MineSight three-dimensional software. He was employed as Emgold's Chief Geologist from 2004 to 2014 and is Emgold's Qualified Person as defined by National Instrument NI 43-101 for Emgold's properties in the U.S. He is a member of the American Institute of Professional Geologists.

Perry Grunenberg, B.SC., P.Geo., is a Professional Geologist and member of the Professional Engineers and Geoscientists of B.C. He has 30 years of experience in exploration for metals and diamonds and has worked exploring a variety of deposit types across North America. Mr. Grunenberg is a graduate of the University of British Columbia and is Emgold's Qualified Person as defined by National Instrument NI 43-101 for Emgold's properties in Canada.

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Family Relationships

There are no family relationships among any of the persons named above.

Arrangements

There are no arrangements or understandings regarding the selection of any of the persons named above.

**B. Compensation**

Compensation of Executive Officers

“Named Executive Officer” (“NEO”) means each of the following individuals:

(a) a Chief Executive Officer (“CEO”) or one who acted in a capacity similar to a chief executive officer, for any part of the financial year ended December 31, 2017;

(b) a Chief Financial Officer (“CFO”) or one who acted in a capacity similar to a chief financial officer, for any part of the financial year ended December 31, 2017;

(c) each of the three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation was, individually, more than \$150,000 for that financial year; and

(d) each individual who would be a NEO under paragraph (c) but for the fact that the individual was neither an executive officer of the Company, nor acting in a similar capacity, as at the financial year ended December 31, 2017.

The Company has three Named Executive Officers. The following disclosure sets out the compensation that the Board intended to pay, make payable, award, grant give or otherwise provide to each NEO and director for the financial year ended December 31, 2017.

## Compensation Discussion and Analysis

### *Compensation of Directors and NEOs*

The Company's Corporate Governance and Compensation Committee ("CGCC") has responsibility for reviewing compensation for the Company's directors and senior management.

The independent directors are encouraged to meet at any time they consider necessary without any members of management including the non-independent directors being present. The Company's auditors, legal counsel and employees may be invited to attend. The independent directors exercise their responsibilities for independent oversight of management through a strong CGCC. The Board has appointed Allen Leschert as Chairman of the Corporate Governance and Compensation Committee to assist the Board in being effective, cohesive and independent from management.

To determine compensation payable, the CGCC reviews compensation paid for directors and NEOs of companies of similar size and stage of development in the mineral exploration industry and determines an appropriate compensation reflecting the need to provide incentive and compensation for the time and effort expended by the directors and senior management while taking into account the financial and other resources of the Company. In setting the compensation, the CGCC annually reviews the performance of the NEOs in light of the Company's objectives and considers other factors that may have impacted the success of the Company in achieving its objectives and financial resources.

The Company's compensation policies and its stock option plan (the "Stock Option Plan") are intended to assist the Company in attracting, retaining and motivating Directors, officers and employees of the Company and of its subsidiaries and to closely align the personal interests of such Directors, officers and employees with those of the shareholders by providing them with the opportunity, through stock options, to acquire shares in the capital of the Company.

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Option Based Awards

The Board of Directors of the Company implemented a stock option plan (the "Plan") effective April 29, 2005, as amended, which was approved by the TSX Venture Exchange and the shareholders of the Company and ratified by shareholders at the Company's 2006 Annual General Meeting. The number of Shares which may be issued pursuant to options previously granted and those granted under the Plan is a maximum of 10% of the issued and outstanding Shares at the time of the grant. In addition, the number of Shares which may be reserved for issuance to any one individual may not exceed 5% of the issued Shares on a yearly basis or 2% if the optionee is engaged in investor relations activities or is a consultant. Under Exchange policy, all such rolling stock option plans which set the number of common shares issuable under the plan at a maximum of 10% of the issued and outstanding common shares must be approved and ratified by shareholders on an annual basis.

The purpose of the Plan is to allow the Company to grant options to Directors, officers, employees and consultants, as an incentive for performance, and as an opportunity to participate in the success of the Company. The granting of such options is intended to align the interests of such persons with that of the shareholders. Options will be exercisable over periods of up to five years as determined by the Board of Directors of the Company and are required to have an exercise price no less than the closing market price of the Company's Shares prevailing on the day that the option is granted less a discount of up to 25%, the amount of the discount varying with market price in accordance with the policies of the Exchange. Pursuant to the Plan, the Board of Directors may from time to time authorize the issue of options to Directors, officers, employees and consultants of the Company and its subsidiaries or employees of companies providing management or consulting services to the Company or its subsidiaries. The Plan contains no vesting requirements but permits the Board of Directors to specify a vesting schedule in its discretion. The Plan provides that if a change of control, as defined therein, occurs, all shares subject to option shall immediately become vested and may thereupon be exercised in whole or in part by the option holder.

At December 31, 2017, a total of 797,121(2016 – 7,900,401) shares of Emgold were reserved for share incentive options to be granted at the discretion of Emgold's board of directors to eligible optionees (the "Optionees"), of which 265,000 (2016 – 500,000) were outstanding under the plan at December 31, 2017.

During the year ended December 31, 2017, 200,000 stock options expired (2016 – nil options expired), and 35,000 options were forfeited (2016 - nil options forfeited).

The Board of Directors generally grants options to corporate executives further to the recommendation of the CGCC. As part of its annual work plan, the CGCC reviews, among other things, executive compensation and makes appropriate recommendations to the Board regarding such compensation, including but not limited to the grant of

options. Options may be granted at other times of the year to individuals commencing employment with the Company.



Table of ContentsSummary Compensation Table

The compensation paid to the NEOs during the Company's most recently completed financial year ended December 31, 2017, is as set out below:

**Compensation Paid to Emgold NEOs**

| Name and principal position held during fiscal 2014  | Year | Salary <sup>(1)</sup><br>(\$) | Share-based awards<br>(\$) | Option-based awards<br>(\$) | Non-equity incentive plan compensation <sup>(3)</sup><br>(\$) |                           | Pension value<br>(\$) | All other compensation <sup>(2)</sup><br>(\$) | Total compensation <sup>(3)</sup><br>(\$) |
|--|------|-------------------------------|----------------------------|-----------------------------|---|---------------------------|-----------------------|---|---|
|  |      |                               |                            |                             | Annual incentive plans  | Long-term incentive plans |                       |   |   |
| David G. Watkinson <sup>(5)</sup><br>President & CEO | 2017 | 94,279                        | NIL                        | NIL                         | NIL   | NIL                       | NIL                   | NIL   | 94,279                                    |
|  | 2016 | 92,500                        | NIL                        | NIL                         | NIL   | NIL                       | NIL                   | NIL   | 92,500                                    |
|  | 2015 | 92,500                        | NIL                        | NIL                         | NIL   | NIL                       | NIL                   | NIL   | 92,500                                    |
|  | 2017 | 27,760                        | NIL                        | NIL                         | NIL   | NIL                       | NIL                   | NIL   | 27,760                                    |
| Grant T. Smith <sup>(6)</sup>                        | 2016 | 27,668                        | NIL                        | NIL                         | NIL   | NIL                       | NIL                   | NIL   | 27,668                                    |
| CFO  | 2015 | 28,153                        | NIL                        | NIL                         | NIL   | NIL                       | NIL                   | NIL   | 28,153                                    |

Notes:

(1) Includes the dollar value of cash and non-cash base salary earned during a financial year covered. (1)

(2) Includes any health, dental, parking, group plan insurance benefits and professional fees paid by the Company on behalf of the NEOs. (2)

(3) These amounts include all amounts set out in table from for each NEO. (3)

(4) Of the total salary for 2017, \$94,279 was accrued to David G. Watkinson for services as President and CEO for the year ended December 31, 2017 and was unpaid at December 31, 2017. (4)

- (5) Appointment as CFO became effective September 1, 2012. Management fees were paid directly to (5)  
Clearline Chartered Professional Accountants, a company of which Grant T. Smith is a director.

As part of its annual work plan, the CGCC reviews, among other things, executive compensation and makes appropriate recommendations to the Board regarding such compensation.

Incentive Plan Awards

*Outstanding Share-based Awards and Option-based Awards*

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The following table sets out all share-based awards and option-based awards outstanding as at the financial year ended December 31, 2017, for each NEO:

**Share and Option Based Awards for NEOs**

| Name               | Option-based Awards                                     |                            |                        | Share-based Awards <sup>(2)</sup>                             |  |  |
|--------------------|---|----------------------------|------------------------|---|--|--|
|                    | Number of securities underlying unexercised options (#) | Option exercise price (\$) | Option expiration date | Value of unexercised in-the-money options <sup>(1)</sup> (\$) | Number of shares or units of shares that have not vested (#) | Market or payout value of share-based awards that have not vested (\$) |
| David G. Watkinson | 70,000  | 1.00                       | 11-Oct-2018            | NIL   |  |  |
| Grant T. Smith     | 75,000  | 1.50                       | 07-May-2017            | NIL   | N/A  | N/A  |
|                    | 35,000  | 1.00                       | 11-Oct-2018            | NIL   | N/A  | N/A  |

Notes:

(1) On December 31, 2017, the closing market price of the Company's shares on the TSX Venture Exchange was Cdn\$0.17 per share.

(2) The Company does not have Incentive Plan Awards other than option-based awards.

*Incentive Plan Awards – Value Vested or Earned During the Year*

The following table sets out all incentive plans (value vested or earned) during the financial year ended December 31, 2017, for each NEO:

**Incentive Plan Awards for NEOs**

| Name               | Option-based awards – Value vested during the year (\$) | Share-based awards – Value vested during the year <sup>(1)</sup> (\$) | Non-equity incentive plan compensation – Value earned during the year <sup>(1)</sup> (\$) |
|--------------------|---|---|---|
| David G. Watkinson | NIL   | NIL   | N/A   |
| Grant T. Smith     | NIL   | NIL   | N/A   |

Notes:

(1) The Company does not have Incentive Plan Awards in place other than option-based awards.

*Discussion*

Equity-settled share-based payments for directors, officers and employees are measured at fair value at the date of grant and recorded as compensation expense in the consolidated financial statements. The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period based on the Company's estimate of shares that will eventually vest. The number of forfeitures likely to occur is estimated on grant date and adjusted to actual. Any consideration paid by directors, officers, employees and consultants on exercise of equity-settled share-based payments is credited to share capital. Shares are issued from treasury upon the exercise of equity-settled share-based instruments. Compensation expense on stock options granted to non-employees is measured at the earlier of the completion of performance and the date the options are vested using the fair value method and is recorded as an expense in the same period as if the Company had paid cash for the goods or services received.

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When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a Black-Scholes valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

See "Option Based Awards" and "Securities Authorized for Issuance Under Equity Compensation Plans" for further information on the Stock Option Plan.

The Company does not have Incentive Plan Awards, pursuant to which cash or non-cash compensation intended to serve as an incentive for performance (whereby performance is measured by reference to financial performance or the price of the Company's securities) was paid.

Pension Plan Benefits

*Defined Benefit Plan or Defined Contribution Plan*

The Company has no pension plans for NEOs that provide for payment or benefits at, following, or in connection with retirement.

*Deferred Compensation Plans*

The Company has no deferred compensation plan for NEOs.

Termination and Change in Control Benefits

The Company and its subsidiaries have no contract, agreement, plan or arrangement that provides for payment to an NEO at, following or in connection with any termination (whether voluntary, involuntary or constructive), resignation, retirement, a change in control of the Company or a change in an NEO's responsibilities, with the exception of the following:

The contract of David G. Watkinson, by the Idaho-Maryland Mining Corporation, provides for payment to Mr. Watkinson of a minimum severance allowance equivalent to twelve (12) month's salary in the event of termination by the Company without cause. Additionally, the contract provides for payment to Mr. Watkinson of a severance allowance equivalent to a minimum of twenty-four (24) month's salary in the event of an acquisition or takeover by another company or other similar form of transaction.

#### Director Compensation

Directors are entitled to reimbursement for reasonable travel and other out-of-pocket expenses incurred in connection with attendance at meetings of the Board of Directors. The Board of Directors may award special remuneration to any director undertaking any special services on behalf of the Company other than services ordinarily required of a director. This is subject to recommendation by the Compensation and Corporate Governance committee. As indicated herein, the Chief Executive Officer who also serves as a director of the Company received compensation for their services through consulting contracts.

Directors' fees totalling \$nil (2016 – \$nil) were paid or are accrued and payable to three independent directors of the Company.

Table of Contents*Director Compensation Table*

The following table sets out all amounts of compensation provided to the directors who are not NEOs for the Company's most recently completed financial year:

**Compensation for Directors Who are Not NEOs**

| Name              | Fees earned (Cdn\$) | Share-based awards (\$) | Option-based awards (\$) | Non-equity incentive plan compensation (\$) | Pension value (\$) | All other compensation (\$) | Total (Cdn\$) |
|-------------------|---------------------|-------------------------|--------------------------|---|--------------------|-----------------------------|---------------|
| William J. Witte  | NIL                 | NIL                     | NIL                      | NIL   | NIL                | NIL                         | NIL           |
| Andrew MacRitchie | NIL                 | NIL                     | NIL                      | NIL   | NIL                | NIL                         | NIL           |
| Allen Leschert    | NIL                 | NIL                     | NIL                      | NIL   | NIL                | NIL                         | NIL           |

*Outstanding Share-based Awards and Option-based Awards*

The following table sets out all option-based awards outstanding as at the financial year ended December 31, 2017, for each director, excluding a director who is already set out in disclosure for a NEO for the Company:

**Option and Share Based Awards for Directors Who are Not NEOs**

| Name              | Option-based Awards                                     |                            |                        |   | Share-based Awards  |   |
|-------------------|---|----------------------------|------------------------|---|---|---|
|                   | Number of securities underlying unexercised options (#) | Option exercise price (\$) | Option expiration date | Value of unexercised in-the-money options <sup>(1)</sup> (\$) | Number of shares or units of shares that have not vested <sup>(2)</sup> (#) | Market or payout value of share-based awards that have not vested <sup>(2)</sup> (\$) |
| William J. Witte  | 35,000  | 1.00                       | 11-Oct-2018            | NIL   | N/A   | N/A   |
| Andrew MacRitchie | 20,000  | 1.50                       | 07-May-2017            | NIL   | N/A   | N/A   |
| Allen Leschert    | 35,000  | 1.00                       | 11-Oct-2018            | NIL   | N/A   | N/A   |

Notes:

- (1) The closing market price of the Company's shares on the TSX Venture Exchange was \$0.17 per share on December 31, 2017.
- (2) The Company does not have Incentive Plan Awards in place other than option-based awards.



Table of Contents*Incentive Plan Awards – Value Vested or Earned During the Year*

The following table sets out all incentive plans (value vested or earned) during the financial year ended December 31, 2017 for each director, excluding a director who is already set out in disclosure for a NEO for the Company:

**Option and Share Based Awards Vested for Directors Who are Not NEOs**

| <b>Name</b>       | <b>Option-based awards – Value vested during the year<sup>(1)</sup></b> | <b>Share-based awards – Value vested during the year<sup>(2)</sup></b> | <b>Non-equity incentive plan compensation – Value earned during the year<sup>(2)</sup></b> |
|-------------------|---|--|--|
|                   | <b>(\$)</b>   | <b>(\$)</b>  | <b>(\$)</b>  |
| William J. Witte  | NIL   | NIL  | N/A  |
| Andrew MacRitchie | NIL   | NIL  | N/A  |
| Allen Leschert    | NIL   | NIL  | N/A  |

Notes:

The aggregate dollar value that would have been realized if the options had been exercised on the vesting date, based on the difference between the market price of the underlying securities at exercise and the exercise price of the options on the vesting date. Under the terms of the Company's stock option plan, all options vest upon the grant date.

(2) The Company does not have Incentive Plan Awards in place other than option-based awards.

*Securities Authorized for Issuance Under Equity Compensation Plans*

The following table provides equity compensation plan information as for year ended December 31, 2017.

**Equity Compensation Plan Information**

| <b>Plan Category<sup>(1)</sup></b>                                    | <b>Number of securities to be issued upon exercise of outstanding options, warrants and rights</b> | <b>Weighted-average exercise price of outstanding options, warrants and rights</b> | <b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</b> |
|---|--|--|--|
|   | <b>(a)</b>   | <b>(b)</b>   | <b>(c)</b>   |
| Equity compensation plans approved by security holders <sup>(2)</sup> | 265,000  | \$1.20   | 797,120  |
| Equity compensation plans not approved by                             | NIL  | NIL  | NIL  |

security holders

|       |         |        |         |
|-------|---------|--------|---------|
| Total | 265,000 | \$1.20 | 797,120 |
|-------|---------|--------|---------|

Notes:

(1)The only “equity compensation plan” in place is the Company’s stock option plan. See “Option Based Awards” above.

(2)As at December 31, 2017.

*Indebtedness of Directors and Executive Officers*

None of the director, executive officer, or associate of any such person, has been indebted to the Company at any time during the most recently completed financial year.

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Aggregated Options Exercises During the Most Recently Completed Financial Year

During the year ended December 31, 2017, there were no Company stock options exercised.

**C. Board practices**

All currently serving directors were elected at the Company's annual general meeting held on December 14, 2016 and have a term of office expiring at the next annual general meeting of Emgold. All officers have a term of office lasting until their removal or replacement by the Board of Directors.

An "unrelated" director under the TSX governance guidelines is a director who is independent from management and is free from any interest and any business or other relationship which could materially interfere with his or her ability to act in the best interest of the Company other than interests arising from shareholding. Where a company has a significant shareholder, in addition to a majority of "unrelated" directors, the Board should include a number of directors who do not have interest or relationships with either the Company or the significant shareholder. Mr. MacRitchie, Mr. Leschert, and Mr. Witte are independent directors. As such, the number of directors is four.

No director and/or executive officer has been the subject of any order, judgment, or decree of any governmental agency or administrator or of any court or competent jurisdiction, revoking or suspending for cause any license, permit or other authority of such person or of any corporation of which he is a director and/or executive officer, to engage in the securities business or in the sale of a particular security or temporarily or permanently restraining or enjoining any such person or any corporation of which he is an officer or director from engaging in or continuing any conduct, practice or employment in connection with the purchase or sale of securities, or convicting such person of any felony or misdemeanour involving a security or any aspect of the securities business or of theft or of any felony.

There are no director's services contracts with the Company providing for benefits upon termination of employment. Emgold and its subsidiaries have no compensatory plan or arrangement in respect of compensation received or that may be received by the directors of the Company in its most recently completed or current financial year to compensate such directors in the event of termination as director (resignation, retirement, change of control) or in the event of a change in control. There are no arrangements or understandings with any two or more directors or executive officers pursuant to which he was selected as a director or executive officer. Other than as disclosed herein, there is no compensation paid to outside directors other than stock-based compensation.

The following information is provided with respect to the Company's directors, and members of its administrative, supervisory or management body and includes the date of expiration of the current term of office and the period during which the person has served in that office.

Table of Contents**Information on Current and Former Directors, Management, and Administrative Personnel**

| <b>Name</b>       | <b>Position(s) with Company</b>                    | <b>Term of Office/Period of Service</b>   |
|-------------------|--|---|
| William J. Witte  | Director   | Director: June 1999 – Present, Executive Vice President: May 1999 - July 2002, President and CEO: July 2002 – July 2007   |
| Grant Smith       | Chief Financial Officer                            | Chief Financial Officer: September 2012 – Present   |
| David Watkinson   | Director and President and Chief Executive Officer | Director: October 2007 – Present, Vice-President Operations: June 2006 – July 2007, Chief Operating Officer: July 2007 – May 2010, President: October 2007 – Present; Chief Executive Officer: May 2010 - Present |
| Andrew MacRitchie | Director<br>Chair Audit Committee                  | Director: May 2012 - Present  |
| Allen Leschert    | Director   | Director: August 2013-Present, Non-Executive Chairman of the Board: November 2013 - Present   |
| Lisa Maxwell      | Corporate Secretary                                | Corporate Secretary: September 2012 – Present   |

Audit Committee

Andrew MacRitchie, William J. Witte, and Allen Leschert are currently the members of Emgold's audit committee. The audit committee is appointed annually by the directors of Emgold at the first meeting of the board held after Emgold's annual general meeting. The primary function of the audit committee is to review the financial statements of Emgold before they are submitted to the board for approval. The Committee is also available to assist the board if required with matters relating to the appointment of Emgold's auditor and the overall scope and results of the audit, internal financial controls, and financial information for publication for various purposes.

Corporate Governance and Executive Compensation Committee

Members of the Corporate Governance and Compensation Committee are William Witte, Allen Leschert, and Andrew MacRitchie. The committee was formed for making recommendations to the board with respect to developments in the area of corporate governance, the practices of the board, and appropriate candidates for nomination to the board and for evaluating the performance of the board.

#### **D. Employees**

At December 31, 2017, Emgold had no employees. Emgold and its subsidiaries contract staff on an as-needed basis, but usually not more than one or two individuals on a periodic basis. Emgold Mining Corporation administrative functions are primarily provided through Clearline Accounting Services (“Clearline”).

#### **E. Share ownership**

See Item 6A, “Directors and Senior Management”, for the number and percentage of shares of the Company held by each NEO.

The following table sets forth, as at December 31, 2017, all stock options held by the directors and members of senior management of the Company, including the title and amount of securities called for by the options, the exercise price and expiration date of the options.

Table of Contents**Stock Options Held by Directors and Senior Management as at December 31, 2017**

| <b>Name and Title of Option Holder</b>          | <b>Number of Shares Underlying Options</b> | <b>Title of Class</b> | <b>Exercise Price (Cdn\$)</b> | <b>Expiry Date</b> |
|---|--|-----------------------|-------------------------------|--------------------|
| William Witte                                   |  |                       |                               |                    |
| Director  | 35,000                                     | Common                | 1.00                          | October 11, 2018   |
| Subtotal  | <b>35,000</b>                              |                       |                               |                    |
| David Watkinson                                 |  |                       |                               |                    |
| President and Chief Executive Officer, Director | 35,000                                     | Common                | 1.00                          | October 11, 2018   |
| Subtotal  | <b>35,000</b>                              |                       |                               |                    |
| Andrew MacRitchie                               |  |                       |                               |                    |
| Director  | 35,000                                     | Common                | 1.00                          | October 11, 2018   |
| Subtotal  | <b>35,000</b>                              |                       |                               |                    |
| Allen Leschert                                  |  |                       |                               |                    |
| Director  | 35,000                                     | Common                | 1.00                          | October 11, 2018   |
| Subtotal  | <b>35,000</b>                              |                       |                               |                    |
| Grant Smith                                     |  |                       |                               |                    |
| Chief Financial Officer                         | 35,000                                     | Common                | 1.00                          | October 11, 2018   |
| Subtotal  | <b>35,000</b>                              |                       |                               |                    |
| <b>TOTAL</b>                                    | <b>175,000</b>                             | Common                |                               |                    |

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ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

**AMajor Shareholders**

The Company is a publicly owned corporation, incorporated in the province of British Columbia, the shares of which are owned by residents of the United States, residents of Canada and other foreign residents. To the extent known by the directors and executive officers of the Company, the Company is not directly or indirectly owned or controlled by any corporation, government, or other natural or legal person or persons, severally or jointly. To the extent known by the directors and executive officers of the Company, as at the date of below, the holders of 5% or more of the common shares of Emgold are as follows:

- Rawhide Mining Company LLC, holding 1,734,286 common shares, or 21.76%, as at December 31, 2017.
- Gerbino Gold Group LLC, holding 588,123 common shares, or 7.38%, as at December 31, 2017.

All shareholders, including major and/or controlling shareholders have the same voting rights with respect to the issued common shares.

Emgold's securities are recorded on the books of its transfer agent in registered form, however, the majority of such shares are registered in the name of intermediaries such as brokerage houses and clearing houses on behalf of their respective brokerage clients, and Emgold does not have knowledge of or access to information about the beneficial owners thereof. To the best of its knowledge, Emgold is not directly or indirectly owned or controlled by a corporation or foreign government. As of December 31, 2017, Emgold had authorized an unlimited number of common shares without par value of which 7,971,206 (2016 – 7,891,253) were issued and outstanding.

As of April 20, 2018 there were 614 registered shareholders of record holding a total of 8,399,778 common shares of Emgold. To the best of Emgold's knowledge there were 315 registered shareholders of record with registered addresses in Canada, 282 shareholders of record with registered addresses in the United States and 17 shareholders of record with a registered address in other countries. Shares registered in intermediaries are assumed to be held by residents of the same country in which the clearing-house was located.

To the best of the Company's knowledge, there are no arrangements in place the operation of which may result in a change of control of the Company.



**B. Related Party Transactions**

No director or senior officer, and no associate or affiliate of the foregoing persons, and no insider has or has had any material interest, direct or indirect, in any transactions, or in any other proposed transaction between January 1, 2016 and December 31, 2017, except as noted below.

**Related Party Transactions**

| Name and Principal Position   | Remuneration Share-based |                       |
|---|--------------------------|-----------------------|
|   | or fees <sup>(1)</sup>   | awards <sup>(2)</sup> |
| CEO and President - management fees                                       | \$ 94,279                | NIL                   |
| A company of which the CFO is a director <sup>(3)</sup> – management fees | 27,760                   | NIL                   |
| A company of which the CFO is a director <sup>(3)</sup> – accounting      | 6,360                    | NIL                   |
| Directors   | NIL                      | NIL                   |
| Notes:  |                          |                       |

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

(2) The term “share-based awards” conforms to the presentation in the Company’s audited consolidated financial statements. As disclosed in Item 6 of this report, these are option-based awards.

(3) A company of which the CFO, Grant T. Smith, is a director.

At December 31, 2017, amounts of \$222,786 (2016 – \$688,894) were payable to David Watkinson; amounts of \$31,414 (2016 –\$11,177) were payable to Clearline; All amounts were included in due to related parties.

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During year 2017, David Watkinson loaned the Company \$25,000. The loan has interest rates of 1% per month and is repayable on demand. He also forgave the outstanding salary payable resulting in the Company recognizing a gain of \$587,500 from this settlement.

During year ended December 31, 2016, Andrew MacRitchie and William Witte loaned the Company CAD\$5,000 each. The loans bear interest at 1% per month and are repayable on demand. Remaining 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 have no fixed term of repayment.

**C. Interests of Experts and Counsel**

Not applicable.

**ITEM 8. FINANCIAL INFORMATION**

**A. Consolidated Statements and Other Financial Information**

See Item 18, "Financial Statements". The consolidated financial statements as required are attached as an exhibit and are found immediately following the text of this Annual Report. The audit report of MNP LLP, independent Chartered Professional Accountants, is included immediately preceding the consolidated financial statements that they audited.

Legal Proceedings

Emgold is not involved in any litigation or legal proceedings, and to Emgold's knowledge no material legal proceedings involving Emgold or any of its subsidiaries are presently anticipated to be initiated.

Dividend Policy

Emgold has not paid any dividends on its outstanding common shares since its incorporation and does not anticipate that it will do so in the foreseeable future. All funds of Emgold are being retained for exploration and development of its projects.

**B. Significant Changes**

There are no significant changes of financial conditions since the most recent audited financial statements included within this Annual Report.

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**ITEM 9. THE OFFER AND LISTING**

**A. Offer and listing details**

Trading Markets

The tables below list the annual high and low prices for common shares of the Company for the past five years; the high and low market prices for each quarter during the two most recent years and the first quarter of 2018; and the high and low prices for each month for the six most recent months.

|             | <b>EMR<br/>Annual<br/>Share Price<br/>Range –<br/>Last 5<br/>Years (source –<br/>TMX website,<br/>Cdn\$)</b> |                        |                        |                       | <b>EMR<br/>Annual<br/>Share Price<br/>Range –<br/>Last 5<br/>Years (source –<br/>US<br/>OTC<br/>market,<br/>US\$)</b> |                       |                        |                       |
|-------------|--|------------------------|------------------------|-----------------------|---|-----------------------|------------------------|-----------------------|
| <b>Year</b> | <b>High<br/>(Cdn\$)</b>  | <b>Low<br/>(Cdn\$)</b> | <b>High<br/>(US\$)</b> | <b>Low<br/>(US\$)</b> | <b>High<br/>(US\$)</b>  | <b>Low<br/>(US\$)</b> | <b>High<br/>(US\$)</b> | <b>Low<br/>(US\$)</b> |
| 2017        | 0.350  | 0.165                  | 0.325                  | 0.100                 |   |                       |                        |                       |
| 2016        | 0.500  | 0.100                  | 0.354                  | 0.270                 |   |                       |                        |                       |
| 2015        | 0.100  | 0.100                  | 0.211                  | 0.012                 |   |                       |                        |                       |
| 2014        | 0.400  | 0.200                  | 0.393                  | 0.080                 |   |                       |                        |                       |
| 2013        | 0.800  | 0.200                  | 0.740                  | 0.137                 |   |                       |                        |                       |

**EMR Quarterly Share Price – Last 2 Years**

(source – TMX website, Cdn\$)

**EMR  
Quarterly  
Share Price –**      **EMR  
Quarterly  
Share Price**

**Last 2 Years – Last 2  
Years**  
(source – TMX  
website, (source – US  
Cdn\$) OTC  
market,  
US\$)

| <b>Quarter</b>                    | <b>High</b>    | <b>Low</b>     | <b>High</b>   | <b>Low</b>    |
|-----------------------------------|----------------|----------------|---------------|---------------|
|                                   | <b>(Cdn\$)</b> | <b>(Cdn\$)</b> | <b>(US\$)</b> | <b>(US\$)</b> |
| <b>Calendar 2018</b>              |                |                |               |               |
| Second Quarter (to Apr. 13, 2018) | 0.150          | 0.145          | 0.125         | 0.101         |
| First Quarter                     | 0.210          | 0.150          | 0.176         | 0.107         |
| <b>Calendar 2017</b>              |                |                |               |               |
| Fourth Quarter                    | 0.250          | 0.165          | 0.184         | 0.130         |
| Third Quarter                     | 0.305          | 0.200          | 0.253         | 0.150         |
| Second Quarter                    | 0.300          | 0.200          | 0.320         | 0.100         |
| First Quarter                     | 0.350          | 0.250          | 0.325         | 0.130         |
| <b>Calendar 2016</b>              |                |                |               |               |
| Fourth Quarter                    | 0.400          | 0.200          | 0.354         | 0.180         |
| Third Quarter                     | 0.500          | 0.250          | 0.340         | 0.170         |
| Second Quarter                    | 0.400          | 0.200          | 0.310         | 0.070         |
| First Quarter                     | 0.200          | 0.050          | 0.122         | 0.027         |

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| Month                          | EMR Last Six Months Share Price |         | EMR Last Six Months Share Price |        |
|--------------------------------|---------------------------------|---------|---------------------------------|--------|
|                                | (source – TMX website, Cdn\$)   |         | (source – US OTC market, US\$)  |        |
|                                | High                            | Low     | High                            | Low    |
|                                | (Cdn\$)                         | (Cdn\$) | (US\$)                          | (US\$) |
| April 2018 (to April 13, 2018) | 0.150                           | 0.145   | 0.125                           | 0.101  |
| March 2018                     | 0.150                           | 0.150   | 0.126                           | 0.107  |
| February 2018                  | 0.210                           | 0.165   | 0.152                           | 0.126  |
| January 2018                   | 0.210                           | 0.165   | 0.176                           | 0.130  |
| December 2017                  | 0.220                           | 0.130   | 0.168                           | 0.130  |
| November 2017                  | 0.210                           | 0.170   | 0.153                           | 0.132  |

The high, low and closing price of the Company’s common stock on the TSX Venture Exchange on April 13, 2018, was Cdn\$0.145, Cdn\$0.145, and Cdn\$0.145 respectively. The Company’s common shares are issued in registered form.

**B. Plan of Distribution**

Not applicable.

**C. Markets**

The shares of Emgold have traded in Canada on the TSX Venture Exchange (formerly the Canadian Venture Exchange and successor, by merger, to the Vancouver Stock Exchange and the Alberta Stock Exchange) since August 31, 1989. 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.

**D. Selling Shareholders**

Not applicable.

**E. Dilution**

Not applicable.

**F. Expenses of the Issue**

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

**A. Share Capital**

Not applicable.

**B. Memorandum and Articles of Association**

Emgold's corporate constituting documents comprising Articles of Association and Memorandum are registered with the British Columbia Registrar of Companies under Corporation No. 361869. The Company was continued under the Business Corporations Act in British Columbia in June 2005. A copy of the Notice of Article and Articles have been filed as an exhibit to filings in prior periods.

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### Objects and Purposes

Emgold's Articles do not specify objects or purposes. Under British Columbia law, a British Columbia corporation has all the legal powers of a natural person. British Columbia corporations may not undertake certain limited business activities such as operating as a trust company or railroad without alterations to its form of articles and specific government consent.

### Directors – Powers and Limitations

Emgold's articles do not specify a maximum number of directors (the minimum under British Columbia law for a public company is three). Shareholders at the annual shareholders meeting determine the number of directors annually and all directors are elected at that time. There are no staggered directorships. Under the British Columbia Business Corporations Act ("BCA") directors are obligated to abstain from voting on matters in which they may be financially interested after fully disclosing such interest. Directors' compensation is not a matter on which they must abstain. Directors must be of the age of majority (18), and meet eligibility criteria including not being mentally infirm, not having any undischarged bankruptcies and having no fraud related convictions in the previous five years. There is no mandatory retirement age either under Emgold's Articles or under the BCA.

Directors' borrowing powers are not generally restricted where the borrowing is in Emgold's best interests, but the directors may not authorize Emgold to provide financial assistance for any reason where Emgold is insolvent or the providing of the guarantee would render it insolvent. Directors need not own any shares of Emgold in order to qualify as directors.

The Articles specify the number of directors shall be the number of directors fixed by shareholders annually, or the number that are actually elected at a general shareholders meeting. Shareholders at the annual shareholders' meeting determine the number of directors annually and all directors are elected at that time. Under the Articles the directors are entitled between successive annual general meetings to appoint one or more additional directors but not more than one-third of the number of directors fixed at a shareholders meeting or actually elected at the preceding annual shareholders' meeting. Directors automatically retire at the commencement of each annual meeting but may be re-elected thereat.

Under the Articles, a director who is in any way directly or indirectly interested in a proposed contract or transaction, or who holds any office or possesses any property whereby directly or indirectly a duty might be created which would



conflict with his duty or interest as a director, shall declare the nature and extent of such interest in such contract or transaction. A director shall not vote in respect of any such contract or transaction and if he should vote, his vote shall not be counted, but he may be counted in the quorum present at the meeting. Similarly, under the BCA directors are obligated to abstain from voting on matters in which they may be financially interested after fully disclosing such interest.

Descriptions of rights, preferences and restrictions attaching to each class of shares

*Common Shares*

Emgold has authorized an unlimited number of common shares without par value. All common shares rank pari passu for the payment of dividends and distributions in the event of wind-up.

Some of the significant provisions under British Columbia law and Emgold's Articles relating to the common shares may be summarized as follows:

*Capital Increases and Other Changes*

Authorized capital increases as well as other changes to the constituting documents require the approval of the majority of votes of shareholders at a duly convened meeting.

Certain changes such as amalgamations, re-domiciling, and creation of new classes of shares may also give rise to dissent rights (the right to be paid the "fair value" for their shares in cash if the matter is proceeded with).

*Shares Fully Paid*

All Emgold shares must, by applicable law, be issued as fully paid for cash, property or services. They are, therefore, non-assessable and not subject to further calls for payment.

*Pre-emptive Rights*

There are no pre-emptive rights applicable to Emgold which provide a right to any person to participate in offerings of Emgold's securities.

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*Liquidation*

All common shares of Emgold participate rateably in any available assets in the event of a winding up or other liquidation, subject to the prior rights of First Preference Shares.

*No Limitation on Foreign Ownership*

There are no limitations under Emgold's Articles or in the BCA on the right of persons who are not residents of Canada or foreign shareholders to hold or vote common shares. (See also "Exchange Controls")

*Dividends*

Dividends may be declared by the Board out of available assets and are paid rateably to holders of common shares. No dividend may be paid if Emgold is, or would thereby become, insolvent.

*Voting Rights*

Each Emgold common share is entitled to one vote on matters to which common shares ordinarily vote including the election of directors, appointment of auditors and approval of corporate changes. There are no cumulative voting rights applicable to Emgold. At an annual meeting of shareholders, subject to the BCA, general meeting resolutions are decided by a show of hands, or upon request, by a poll. A simple majority is required to pass an ordinary resolution.

*Shareholder Meetings*

Shareholders' meetings are governed by the Articles of Emgold but many important shareholder protections are also contained in the Securities Act (British Columbia) and the BCA. The Articles provide that Emgold will hold an annual shareholders' meeting, will provide at least 21 days' notice and will provide for certain procedural matters and rules of order with respect to the conduct of the meeting. The Securities Act (British Columbia) and the BCA superimpose requirements that generally provide that shareholder' meetings require not less than a 60 day notice period from initial public notice and that Emgold makes a thorough advanced search of intermediary and brokerage registered shareholdings to facilitate communication with beneficial shareholders so that meeting proxy and information materials can be sent via the brokerages to unregistered but beneficial shareholders. The form and content of information circulars and proxies and like matters are governed by the Securities Act (British Columbia) and the BCA. This legislation specifies the disclosure requirements for the proxy materials and various corporate actions, background information on the nominees for election for director, executive compensation paid in the previous year and full details of any unusual matters or related party transactions. Emgold must hold an annual shareholders meeting

open to all shareholders for personal attendance or by proxy at each shareholder's determination. The meeting must be held within 15 months of the previous annual shareholders' meeting. A quorum for a shareholders' meeting is two members or proxy holders present.

On October 18, 2013, Emgold adopted an Advance Notice Policy for future shareholder meetings. This was approved by Shareholders at the AGM on November 27, 2013. The purpose of the Policy is to provide shareholders, directors and management of the Company with a clear framework for nominating directors of the Company. The Company is committed to: (i) facilitating an orderly and efficient annual general or, where the need arises, special meeting, process; (ii) ensuring that all shareholders receive adequate notice of the director nominations and sufficient information regarding all director nominees; and (iii) allowing shareholders to register an informed vote after having been afforded reasonable time for appropriate deliberation. The Policy is intended to further these objectives.

The Policy, among other things, includes a provision that requires advance notice to the Company in certain circumstances where nominations of persons for election to the Board of Directors are made by shareholders of the Company. The Policy fixes a deadline by which director nominations must be submitted to the Company prior to any annual or special meeting of shareholders and sets forth the information that must be included in the notice to the Company. No person will be eligible for election as a director of the Company unless nominated in accordance with the Policy.

In the case of an annual meeting of shareholders, notice to the Company must be made not less than 30 days and not more than 65 days prior to the date of the annual meeting; provided, however, that, in the event that the annual meeting is to be held on a date that is less than 50 days after the date on which the first public announcement of the date of the annual meeting was made, notice may be made not later than the close of business on the 10th day following such public announcement.

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In the case of a special meeting of shareholders called for the purpose of electing directors (whether or not called for other purposes), notice to the Company must be made not later than the close of business on the 15th day following the day on which the first public announcement of the date of the special meeting was made.

### *Change in Control*

Emgold has not implemented any shareholders' rights or other "poison pill" protection against possible take-overs. Emgold does not have any agreements, which are triggered by a take-over or other change of control. There are no provisions in its articles triggered by or affected by a change in outstanding shares which gives rise to a change in control. There are no provisions in Emgold's material agreements giving special rights to any person on a change of control.

### *Insider Share Ownership Reporting*

The articles of Emgold do not require disclosure of share ownership. Share ownership of director nominees must be reported annually in proxy materials sent to Emgold's shareholders. There are no requirements under British Columbia corporate law to report ownership of shares of Emgold but the Securities Act (British Columbia) requires disclosure of trading by insiders (generally officers, directors and holders of 10% of voting shares) within 10 days of the trade. Controlling shareholders (generally those in excess of 20% of outstanding shares) must provide seven days advance notice of share sales.

### *Securities Act (British Columbia)*

This statute applies to Emgold and governs matters typically pertaining to public securities such as continuous quarterly financial reporting, immediate disclosure of material changes, insider trade reporting, take-over protections to ensure fair and equal treatment of all shareholders, exemption and resale rules pertaining to non-prospectus securities issuances as well as civil liability for certain misrepresentations, disciplinary, appeal and discretionary ruling matters. All Emgold shareholders regardless of residence have equal rights under this legislation.

### *Future Capital Calls*

The directors of the Company do not have any liability for future capital calls.

### *Preference Shares*

Emgold has authorized an unlimited number of preference shares without par value of which none are outstanding as at December 31, 2017.

### **C. Material contracts**

The following is a summary of each material contract, other than contracts entered into in the ordinary course of business, to which Emgold or any member of the Emgold group is a party, for the two years preceding the date of this document.

1. None

### **D. Exchange controls**

The Company is not aware of any Canadian federal or provincial laws, decrees or regulations that restrict the export or import of capital, including foreign exchange controls, or that affect the remittance of dividends, interest or other payments to a non-resident holder of Common Shares, other than withholding tax requirements. Any such remittances to United States residents are generally subject to withholding tax, however no such remittances are likely in the foreseeable future. See "Taxation", below.

There is no limitation imposed by the laws of Canada or by the charter or other constituent documents of Emgold on the right of a non-resident to hold or vote the Common Shares, other than as provided in the Investment Canada Act (the "Investment Act"). The following discussion summarizes the material features of the Investment Act for a non-resident who proposes to acquire the Common Shares. It is general only, it is not a substitute for independent advice from an investor's own advisor, and it does not anticipate statutory or regulatory amendments. Emgold does not believe the Investment Act will have any effect on it or on its non-Canadian shareholders due to a number of factors including the nature of its operations and Emgold's relatively small capitalization.

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The Investment Act generally prohibits implementation of a “reviewable” investment by an individual, government or agency thereof, corporation, partnership, trust or joint venture (each an “entity”) that is not a “Canadian” as defined in the Investment Act (a “non-Canadian”), unless after review the Director of Investments appointed by the minister responsible for the Investment Act is satisfied that the investment is likely to be of net benefit to Canada. The size and nature of a proposed transaction may give rise to an obligation to notify the Director to seek an advance ruling. An investment in Emgold’s Common Shares by a non-Canadian other than a “WTO Investor” (as that term is defined in the Investment Act and which term includes entities which are nationals of or are controlled by nationals of member states of the World Trade Organization) when Emgold was not controlled by a WTO Investor, would be reviewable under the Investment Act if it was an investment to acquire control of Emgold and the value of the assets of Emgold, as determined in accordance with the regulations promulgated under the Investment Act, was over a certain figure, or if an order for review was made by the federal cabinet on the grounds that the investment related to Canada’s cultural heritage or national identity, regardless of the value of the assets of Emgold. An investment in the Common Shares by a WTO Investor, or by a non-Canadian when Emgold was controlled by a WTO Investor, would be reviewable under the Investment Act if it was an investment to acquire control of Emgold and the value of the assets of Emgold, as determined in accordance with the regulations promulgated under the Investment Act, was not less than a specified amount, which for 2013 is Cdn\$344 million. A non-Canadian would acquire control of Emgold for the purposes of the Investment Act if the non-Canadian acquired a majority of the Common Shares. The acquisition of less than a majority but one-third or more of the Common Shares would be presumed to be an acquisition of control of Emgold unless it could be established that, on the acquisition, Emgold was not controlled in fact by the acquirer through the ownership of the Common Shares.

The foregoing assumes Emgold will not engage in the production of uranium or own an interest in a producing uranium property in Canada, or provide any financial service or transportation service, as the rules governing these businesses are different.

Certain transactions relating to the Common Shares would be exempt from the Investment Act, including:

- a) an acquisition of the Common Shares by a person in the ordinary course of that person’s business as a trader or dealer in securities,
- b) an acquisition of control of Emgold in connection with the realization of security granted for a loan or other financial assistance and not for a purpose related to the provisions of the Investment Act, and an acquisition of control of Emgold by reason of an amalgamation, merger, consolidation or corporate
- c) reorganization following which the ultimate direct or indirect control in fact of Emgold, through the ownership of the Common Shares, remained unchanged.

**E. Taxation**

**ALL PROSPECTIVE INVESTORS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE SPECIFIC TAX CONSEQUENCES OF PURCHASING THE COMMON SHARES OF THE COMPANY.**

**Material Canadian Federal Income Tax Consequences for United States Residents**

The following summarizes the material Canadian federal income tax consequences generally applicable to the holding and disposition of Common Shares by a holder (in this summary, a “U.S. Holder”) who, (a) for the purposes of the Income Tax Act (Canada) (the “Tax Act”), is not resident in Canada, deals at arm’s length with Emgold, holds the Common Shares as capital property and does not use or hold the Common Shares in the course of carrying on, or otherwise in connection with, a business in Canada, and (b) for the purposes of the Canada-United States Income Tax Convention, 1980 (the “Treaty”), is a resident solely of the United States, has never been a resident of Canada, and has not held or used (and does not hold or use) Common Shares in connection with a permanent establishment or fixed base in Canada. This summary does not apply to traders or dealers in securities, limited liability companies, tax-exempt entities, insurers, financial institutions (including those to which the mark-to-market provisions of the Tax Act apply), or any other U.S. Holder to which special considerations apply.

This summary is based on the current provisions of the Tax Act including all regulations thereunder, the Treaty, all proposed amendments to the Tax Act, the regulations and the Treaty publicly announced by the Government of Canada to the date hereof, and the current administrative practices of the Canada Customs and Revenue Agency. It has been assumed that all currently proposed amendments will be enacted as proposed and that there will be no other relevant change in any governing law or administrative practice, although no assurances can be given in these respects. This summary does not take into account provincial, U.S., state or other foreign income tax law or practice. The tax consequences to any particular U.S. Holder will vary according to the status of that holder as an individual, trust, corporation, partnership or other entity, the jurisdictions in which that holder is subject to taxation, and generally according to that holder’s particular circumstances. Accordingly, this summary is not, and is not to be construed as, Canadian tax advice to any particular U.S. Holder.

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### Dividends

Dividends paid or deemed to be paid to a U.S. Holder by Emgold will be subject to Canadian withholding tax. Under the Treaty, the rate of withholding tax on dividends paid to a U.S. Holder is generally limited to 15% of the gross amount of the dividend (or 5% if the U.S. Holder is a corporation and beneficially owns at least 10% of Emgold's voting shares). Emgold will be required to withhold the applicable withholding tax from any such dividend and remit it to the Canadian government for the U.S. Holder's account.

### Disposition

A U.S. Holder is not subject to tax under the Tax Act in respect of a capital gain realized on the disposition of a Common Share in the open market unless the share is "taxable Canadian property" to the holder thereof and the U.S. Holder is not entitled to relief under the Treaty. A Common Share will be taxable Canadian property to a U.S. Holder if, at any time during the 60 months preceding the disposition, the U.S. Holder or persons with whom the U.S. Holder did not deal at arm's length alone or together owned, or had rights to acquire, 25% or more of Emgold's issued shares of any class or series. If the shares of Emgold constitute taxable Canadian property to the holder, the holder may be subject to Canadian income tax on the gain. The taxpayer's taxable capital gain or loss from a disposition of the share is the amount, if any, by which the proceeds of disposition exceed (or are exceeded by) the aggregate of the adjusted cost base and reasonable expenses of disposition. One-half of the capital gain is included in income and one-half of the capital loss is deductible from capital gains realized in the same year. Unused capital losses may be carried back three taxation years or forward indefinitely and applied to reduce capital gains realized in those years. It should be noted that Canada requires a withholding tax on the gross proceeds of a sale of taxable Canadian property by a non-resident. The withholding tax may be reduced on completion of a Clearance Certificate Request. If the disposition of the share is subject to tax in Canada, the non-resident must also file a Canadian income tax return reporting the disposition.

A U.S. Holder whose Common Shares do constitute taxable Canadian property, and who might therefore be liable for Canadian income tax under the Tax Act, will generally be relieved from such liability under the Treaty unless the value of such shares at the time of disposition is derived principally from real property situated in Canada. The value of Emgold's common shares is not currently derived principally from real property situated in Canada.

### United States Tax Consequences

#### United States Federal Income Tax Consequences



**NOTHING CONTAINED IN THIS SUMMARY CONTAINING ANY U.S. FEDERAL TAX ISSUE IS INTENDED OR WRITTEN TO BE USED, AND IT CANNOT BE USED FOR THE PURPOSE OF AVOIDING U.S. TAX PENALTIES UNDER THE CODE.**

The following is a discussion of material United States federal income tax consequences, under current law, generally applicable to a U.S. Holder (as hereinafter defined) of common shares of Emgold. This discussion does not address all potentially relevant federal income tax matters and it does not address consequences peculiar to persons subject to special provisions of federal income tax law, such as those described below as excluded from the definition of a U.S. Holder. In addition, this discussion does not cover any state, local or foreign tax consequences. (see “Taxation – Material Canadian Federal Income Tax Consequences for United States Residents” above) for Canadian tax consequences. **Accordingly, we strongly recommend that holders and prospective holders of common shares of Emgold consult their own tax advisors about the specific federal, state, local, and foreign tax consequences to them of purchasing, owning and disposing of common shares of Emgold, based upon their individual circumstances.**

The following discussion is based upon the sections of the Internal Revenue Code of 1986, as amended (the “Code”), Treasury Regulations, published Internal Revenue Service (“IRS”) rulings, published administrative positions of the IRS and court decisions that are currently applicable, any or all of which could be materially and adversely changed, possibly on a retroactive basis, at any time and which are subject to differing interpretations. This discussion does not consider the potential effects, both adverse and beneficial, of any proposed legislation, which, if enacted, could be applied, possibly on a retroactive basis, at any time.

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### U.S. Holders

As used herein, a “U.S. Holder” means a holder of common shares of Emgold who is a citizen or individual resident of the United States, a corporation created or organized in or under the laws of the United States or of any political subdivision thereof, an estate whose income is taxable in the United States irrespective of source or a trust subject to the primary supervision of a court within the United States and control of a United States fiduciary as described Section 7701(a)(30) of the Code. This summary does not address the tax consequences to, and U.S. Holder does not include, persons subject to specific provisions of federal income tax law, such as tax-exempt organizations, qualified retirement plans, individual retirement accounts and other tax-deferred accounts, financial institutions, insurance companies, real estate investment trusts, regulated investment companies, broker-dealers, non-resident alien individuals, persons or entities that have a “functional currency” other than the U.S. dollar, shareholders subject to the alternative minimum tax, shareholders who hold common shares as part of a straddle, hedging or conversion transaction, and shareholders who acquired their common shares through the exercise of employee stock options or otherwise as compensation for services. This summary is limited to U.S. Holders who own common shares as capital assets, within the meaning of Section 1221 of the Code, and who own (directly and indirectly, pursuant to applicable rules of constructive ownership) no more than 5% of the value of the total outstanding stock of Emgold. This summary does not address the consequences to a person or entity holding an interest in a shareholder or the consequences to a person of the ownership, exercise or disposition of any options, warrants or other rights to acquire common shares. In addition, this summary does not address special rules applicable to persons holding common shares through a partnership.

### Distribution on Common Shares of Emgold

Subject to the rules discussed under “Passive Foreign Investment Company” below, in general, U.S. Holders receiving dividend distributions (including constructive dividends) with respect to common shares of Emgold are required to include in gross income for United States federal income tax purposes the gross amount of such distributions, equal to the U.S. dollar value of such distributions on the date of receipt (based on the exchange rate on such date), to the extent that Emgold has current or accumulated earnings and profits (as determined under United States federal income tax principles), without reduction for any Canadian income tax withheld from such distributions. Such Canadian tax withheld may be credited, subject to certain limitations, against the U.S. Holder’s federal income tax liability or, alternatively, may be deducted in computing the U.S. Holder’s federal taxable income by those who itemize deductions. (See more detailed discussion at “Foreign Tax Credit” below). To the extent that distributions exceed current and accumulated earnings and profits of Emgold, they will be treated first as a return of capital up to the U.S. Holder’s adjusted basis in the common shares and thereafter as gain from the sale or exchange of property. Preferential tax rates for long-term capital gains are applicable to a U.S. Holder, which is an individual, estate or trust. There are currently no preferential tax rates for long-term capital gains for a U.S. Holder, which is a corporation.

In the case of foreign currency received as a dividend that is not converted by the recipient into U.S. dollars on the date of receipt, a U.S. Holder will have a tax basis in the foreign currency equal to its U.S. dollar value on the date of receipt. Generally, any gain or loss recognized upon a subsequent sale or other disposition of the foreign currency, including the exchange for U.S. dollars, will be ordinary income or loss. However, an individual whose realized gain

does not exceed \$200 will not recognize that gain, provided that there are no expenses associated with the transaction that meet the requirements for deductibility as a trade or business expense (other than travel expenses in connection with a business trip) or as an expense for the production of income.

Under current Treasury Regulations, dividends paid on Emgold's common shares, if any, generally will not be subject to information reporting and generally will not be subject to U.S. backup withholding tax. However, dividends and the proceeds from a sale of Emgold's common shares paid in the U.S. through a U.S. or U.S. related paying agent (including a broker) will be subject to U.S. information reporting requirements and may also be subject to the 28% U.S. backup withholding tax, unless the paying agent is furnished with a duly completed and signed Form W-9. Any amounts withheld under the U.S. backup withholding tax rules will be allowed as a refund or a credit against the U.S. Holder's U.S. federal income tax liability, provided the required information is furnished to the IRS.

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### Foreign Tax Credit

A U.S. Holder who pays (or has withheld from distributions) Canadian income tax with respect to the ownership of common shares of Emgold may be entitled, at the option of the U.S. Holder, to either receive a deduction or a tax credit for such foreign tax paid or withheld. Generally, it will be more advantageous to claim a credit because a credit reduces United States federal income taxes on a dollar-for-dollar basis, while a deduction merely reduces the taxpayer's income subject to tax. This election is made on a year-by-year basis and generally applies to all foreign taxes paid by (or withheld from) the U.S. Holder during that year. There are significant and complex limitations which apply to the credit; among which is the general limitation that the credit cannot exceed the proportionate share of the U.S. Holder's United States income tax liability that the U.S. Holder's foreign source income bears to his or its worldwide taxable income. In the determination of the application of this limitation, the various items of income and deduction must be classified into foreign and domestic sources. Complex rules govern this classification process. In addition, this limitation is calculated separately with respect to specific classes of income such as "passive category income", and "general category income." Dividends distributed by Emgold will generally constitute "passive category income" or, in the case of certain U.S. Holders, "general category income" for these purposes. The availability of the foreign tax credit and the application of the limitations on the credit are fact specific, and U.S. Holders of common shares of Emgold should consult their own tax advisors regarding their individual circumstances.

### Disposition of Common Shares of Emgold

Subject to the rules discussed under "Passive Foreign Investment Company" below, in general, U.S. Holders will recognize gain or loss upon the sale of common shares of Emgold equal to the difference, if any, between (i) the amount of cash plus the fair market value of any property received, and (ii) the shareholder's tax basis in the common shares of Emgold. Preferential tax rates apply to long-term capital gains of U.S. Holders, which are individuals, estates or trusts. In general, gain or loss on the sale of common shares of Emgold will be long-term capital gain or loss if the common shares are a capital asset in the hands of the U.S. Holder and are held for more than one year. Deductions for net capital losses are subject to significant limitations. For U.S. Holders, which are not corporations, any unused portion of such net capital loss may be carried over to be used in later tax years until such net capital loss is thereby exhausted.

For U.S. Holders that are corporations (other than corporations subject to Subchapter S of the Code), an unused net capital loss may be carried back three years and carried forward five years from the loss year to be offset against capital gains until such net capital loss is thereby exhausted.

### Passive Foreign Investment Company

United States income tax law contains rules governing "passive foreign investment companies" ("PFIC") which can have significant tax effects on U.S. Holders of foreign corporations. These rules do not apply to non-U.S. Holders. Section 1297 of the Code defines a PFIC as a corporation that is not formed in the United States if, for any taxable year, either

(i) 75% or more of its gross income is “passive income,” which includes interest, dividends and certain rents and royalties or (ii) the average percentage, by fair market value (or, if the corporation is not publicly traded and either is a controlled foreign corporation or makes an election, by adjusted tax basis), of its assets that produce or are held for the production of “passive income” is 50% or more. Emgold PFIC status has not been assessed for years ended December 31, 2016, 2015, 2014, 2013, or 2012. However, Emgold appears to have been a PFIC for the fiscal year ended December 31, 2009 and at least certain prior fiscal years. In addition, Emgold may qualify as a PFIC in future fiscal years. **We strongly recommend that each U.S. Holder consult a tax advisor with respect to how the PFIC rules affect such U.S. Holder’s tax situation.**

Each U.S. Holder who holds stock in a foreign corporation during any year in which such corporation qualifies as a PFIC is subject to United States federal income taxation under one of three alternative tax regimes at the election of such U.S. Holder. The following is a discussion of such alternative tax regimes applied to such U.S. Holders of Emgold.

A U.S. Holder who elects to treat Emgold as a qualified electing fund (“QEF”) will be subject, under Section 1293 of the Code, to current federal income tax for any taxable year to which the election applies in which Emgold qualifies as a PFIC on his pro rata share of Emgold’s (i) “net capital gain” (the excess of net long-term capital gain over net short-term capital loss), which will be taxed as long-term capital gain, and (ii) “ordinary earnings” (the excess of earnings and profits over net capital gain), which will be taxed as ordinary income, in each case, for the shareholder’s taxable year in which (or with which) Emgold’s taxable year ends, regardless of whether such amounts are actually distributed. A U.S. Holder’s tax basis in the common shares will be increased by any such amount that is included in income but not distributed.

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The procedure a U.S. Holder must comply with in making an effective QEF election, and the consequences of such election, will depend on whether the year of the election is the first year in the U.S. Holder's holding period in which Emgold is a PFIC. If the U.S. Holder makes a QEF election in such first year, i.e., a "timely" QEF election, then the U.S. Holder may make the QEF election by simply filing the appropriate documents at the time the U.S. Holder files his tax return for such first year. If, however, Emgold qualified as a PFIC in a prior year during the U.S. Holder's holding period, then, in order to avoid the Section 1291 rules discussed below, in addition to filing documents, the U.S. Holder must elect to recognize under the rules of Section 1291 of the Code (discussed herein), any gain that he would otherwise recognize if the U.S. Holder sold his stock on the qualification date. The qualification date is the first day of Emgold's first tax year in which Emgold qualified as a QEF with respect to such U.S. Holder. For purposes of this discussion, a U.S. Holder who makes (i) a timely QEF election, or (ii) an untimely QEF election and the above-described gain-recognition election under Section 1291 is referred to herein as an "Electing U.S. Holder." A U.S. Holder who holds common shares at any time during a year of Emgold in which Emgold is a PFIC and who is not an Electing U.S. Holder (including a U.S. Holder who makes an untimely QEF election and does not make the above-described gain-recognition election) is referred to herein as a "Non-Electing U.S. Holder." An Electing U.S. Holder (i) generally treats any gain realized on the disposition of his Emgold common shares as capital gain; and (ii) may either avoid interest charges resulting from PFIC status altogether, or make an annual election, subject to certain limitations, to defer payment of current taxes on his share of Emgold's annual realized net capital gain and ordinary earnings subject, however, to an interest charge. If the U.S. Holder is not a corporation, any interest charge imposed under the PFIC regime would be treated as "personal interest" that is not deductible.

In order for a U.S. Holder to make (or maintain) a valid QEF election, Emgold must provide certain information regarding its net capital gains and ordinary earnings and permit its books and records to be examined to verify such information. Emgold intends to make the necessary information available to U.S. Holders to permit them to make (and maintain) QEF elections with respect to Emgold. **We strongly recommend that each prospective U.S. Holder consult a tax advisor regarding the availability of, and procedure for making, the QEF election.**

A QEF election, once made with respect to Emgold, applies to the tax year for which it was made and to all subsequent tax years, unless the election is invalidated or terminated, or the IRS consents to revocation of the election. If a U.S. Holder makes a QEF election and Emgold ceases to qualify as a PFIC in a subsequent tax year, the QEF election will remain in effect, although not applicable, during those tax years in which Emgold does not qualify as a PFIC. Therefore, if Emgold again qualifies as a PFIC in a subsequent tax year, the QEF election will be effective and the U.S. Holder will be subject to the rules described above for Electing U.S. Holders in such tax year and any subsequent tax years in which Emgold qualifies as a PFIC. In addition, the QEF election remains in effect, although not applicable, with respect to an Electing U.S. Holder even after such U.S. Holder disposes of all of his or its direct and indirect interest in the shares of Emgold. Therefore, if such U.S. Holder reacquires an interest in Emgold, that U.S. Holder will be subject to the rules described above for Electing U.S. Holders for each tax year in which Emgold qualifies as a PFIC.

In the case of a Non-Electing U.S. Holder, special taxation rules under Section 1291 of the Code will apply to (i) gains realized on the disposition (or deemed to be realized by reasons of a pledge) of his Emgold common shares and (ii) certain “excess distributions,” as defined in Section 1291(b), by Emgold.

A Non-Electing U.S. Holder generally would be required to pro rate all gains realized on the disposition of his Emgold common shares and all excess distributions on his Emgold common shares over the entire holding period for the common shares. All gains or excess distributions allocated to prior years of the U.S. Holder (excluding any portion of the holder’s period prior to the first day of the first year of Emgold (i) which began after December 31, 1986, and (ii) for which Emgold was a PFIC) would be taxed at the highest tax rate for each such prior year applicable to ordinary income. The Non-Electing U.S. Holder also would be liable for interest on the foregoing tax liability for each such prior year calculated as if such liability had been due with respect to each such prior year. A Non-Electing U.S. Holder that is not a corporation must treat this interest charge as “personal interest” which, as discussed above, is wholly non-deductible. The balance, if any, of the gain or the excess distribution will be treated as ordinary income in the year of the disposition or distribution, and no interest charge will be incurred with respect to such balance. In certain circumstances, the sum of the tax and the PFIC interest charge may exceed the amount of the excess distribution received, or the amount of proceeds of disposition realized, by the U.S. Holder.

If Emgold is a PFIC for any taxable year during which a Non-Electing U.S. Holder holds Emgold common shares, then Emgold will continue to be treated as a PFIC with respect to such Registrant common shares, even if it is no longer definitionally a PFIC. A Non-Electing U.S. Holder may terminate this deemed PFIC status by electing to recognize gain (which will be taxed under the rules discussed above for Non-Electing U.S. Holders) as if such Emgold common shares had been sold on the last day of the last taxable year for which it was a PFIC.

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Effective for tax years of U.S. Holders beginning after December 31, 1997, U.S. Holders who hold (actually or constructively) marketable stock of a foreign corporation that qualifies as a PFIC may elect to mark such stock to the market annually (a “mark-to-market election”). If such an election is made, such U.S. Holder will generally not be subject to the special taxation rules of Section 1291 discussed above. However, if a Non-Electing U.S. Holder makes the mark-to-market election after the beginning of the holding period for the PFIC stock, then the Section 1291 rules will apply to certain dispositions of, distributions on and other amounts taxable with respect to Emgold common shares. A U.S. Holder who makes the mark-to market election will include in income for each taxable year for which the election is in effect an amount equal to the excess, if any, of the fair market value of the common shares of Emgold as of the close of such tax year over such U.S. Holder’s adjusted basis in such common shares. In addition, the U.S. Holder is allowed a deduction for the lesser of (i) the excess, if any, of such U.S.

Holder’s adjusted tax basis in the common shares over the fair market value of such shares as of the close of the tax year, or (ii) the excess, if any, of (A) the mark-to-market gains for the common shares in Emgold included by such U.S. Holder for prior tax years, including any amount which would have been treated as a mark-to-market gain for any prior tax year but for the Section 1291 rules discussed above with respect to Non-Electing U.S. Holders, over (B) the mark-to-market losses for shares that were allowed as deductions for prior tax years. A U.S. Holder’s adjusted tax basis in the common shares of Emgold will be adjusted to reflect the amount included in or deducted from income as a result of a mark-to-market election. A mark-to-market election applies to the taxable year in which the election is made and to each subsequent taxable year, unless Emgold common shares cease to be marketable, as specifically defined, or the IRS consents to revocation of the election. A U.S. Holder makes a mark-to-market election by filing IRS Form 8621. No view is expressed regarding whether common shares of Emgold are marketable for these purposes or whether the election will be available.

Under Section 1291(f) of the Code, the IRS has issued Proposed Treasury Regulations that, subject to certain exceptions, would treat as taxable certain transfers of PFIC stock by Non-Electing U.S. Holders that are generally not otherwise taxed, such as gifts, exchanges pursuant to corporate reorganizations, and transfers at death. Generally, in such cases the basis of Emgold common shares in the hands of the transferee and the basis of any property received in the exchange for those common shares would be increased by the amount of gain recognized. Under the Proposed Treasury Regulations, an Electing U.S. Holder would not be taxed on certain transfers of PFIC stock, such as gifts, exchanges pursuant to corporate reorganizations, and transfers at death. The transferee’s basis in this case will depend on the manner of the transfer. In the case of a transfer by an Electing U.S. Holder upon death, for example, the transferee’s basis is generally equal to the fair market value of the Electing U.S. Holder’s common shares as of the date of death under Section 1014 of the Code. The specific tax effect to the U.S. Holder and the transferee may vary based on the manner in which the common shares are transferred. **We strongly recommend that each prospective U.S. Holder of Emgold consult a tax advisor with respect to how the PFIC rules affect his or its tax situation.**

Certain special, generally adverse, rules will apply with respect to Emgold common shares while Emgold is a PFIC unless the U.S. Holder makes a timely QEF election. For example, under Section 1298(b)(6) of the Code, a U.S. Holder who uses PFIC stock as security for a loan (including a margin loan) will, except as may be provided in



regulations, be treated as having made a taxable disposition of such shares.

**F. Dividends and Paying Agents**

Not applicable.

**G. Statement By Experts**

Not applicable.

**H. Documents on Display**

Exhibits included with this Form 20-F are also available for viewing at the offices of Emgold, Suite 1010, 789 West Pender Street, Vancouver, British Columbia V6C 1H2 or on request of Emgold at (778) 375-3106. Copies of Emgold's financial statements and other continuous disclosure documents required under the British Columbia *Securities Act* are available for viewing on the Internet at [www.SEDAR.com](http://www.SEDAR.com).

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**I. Subsidiary Information**

Not applicable.

**ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

**A. Quantitative Information About Market Risk**

As at December 31, 2017, the Company has the following foreign denominated balances, which are recorded at the U.S. dollar amount and are subject to foreign exchange risk:

**Foreign Denominated Balances (Rounded '000's)**

|  | <b>Canadian currency amount</b> | <b>U.S. currency amount</b> |
|--|---------------------------------|-----------------------------|
| Cash                                     | 6,000                           | 13,000                      |
| Accounts payable and accrued liabilities | (233,000)                       | (103,000)                   |

**B. Qualitative Information About Market Risk**

Transaction Risk and Currency Risk Management

Emgold's current operations do not employ financial instruments or derivatives. Currently the Company has no long-term debt or source of revenue as the Company is in the resource exploration and early development stage on its mineral property interests.

Exchange Rate Sensitivity

The majority of Emgold's operations are in the United States, but its administrative operations are in Canada. The Company is affected by exchange rate risk, as the equity financings by the Company to date have been denominated primarily in Canadian dollars. Excess cash is invested primarily in United States dollar denominated investments and may be affected by exchange rate risk for Canadian dollar expenditures. In future, it will be necessary to do further equity or other forms of financing. The funds may be received in either Canadian or U.S. dollars. Funds received in U.S. dollars will likely remain in U.S. dollars and be used for expenditures in U.S. dollars, to reduce exchange risk. The risk that the Company is subject to will be if expenses are incurred in Canadian dollars, with large fluctuations in the Canadian-U.S. dollar exchange rate at that time of the transaction. The Company's potential near-term exchange risk associated with fluctuation of exchange rates is not believed to be material. Exchange gain in fiscal 2017 was a nominal amount.

#### Interest Rate Risk and Equity Price Risk

Emgold has been equity financed and does not have any debt that is subject to interest rate change risks.

#### Commodity Price Risk

While the value of Emgold's resource properties can always be said to relate to the price of precious metals and the outlook for same, Emgold currently does not have any operating mines and hence does not have any hedging or other commodity based risk respecting its operations.

#### ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable.

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**PART II**

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

Not applicable.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Not applicable.

ITEM 15. CONTROLS AND PROCEDURES

a) Disclosure controls and procedures.

Management is responsible for designing, establishing and maintaining a system of internal controls over financial reporting to provide reasonable assurance that the financial information prepared by the Company for external purposes is reliable and has been recorded, processed, and reported in an accurate and timely manner in accordance with generally accepted accounting principles.

Management is also responsible for designing, establishing, and maintaining a system of disclosure controls and procedures. Disclosure controls and procedures are designed to provide reasonable assurance that material items requiring disclosure by the Company are identified and reported in a timely manner.

Based upon the evaluation, our CEO and CFO have concluded that as of December 31, 2017, our disclosure controls and procedures, as defined in Rule 13a-15(e) under the Exchange Act, were effective in providing reasonable assurance.

b) Management's annual report on internal control over financial reporting.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) under the Exchange Act. The Company's internal control system is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes.

The Chief Executive Officer and the Chief Financial Officer have evaluated the effectiveness of the Company's disclosure controls and procedures and assessed the design and the operating effectiveness of the Company's internal control over financial reporting as of December 31, 2017. In making the assessment, management used the criteria issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO 2013 framework) in Internal Control-Integrated Framework. Based on that assessment, management concluded that, as at the date of the audit report of the December 31, 2017 financial statements, the Company's internal control over financial reporting was effective.

c) Attestation Report of the registered public accounting firm.

Not applicable.

d) Changes in internal control over financial reporting.

There was no other change in the Company's internal control over financial reporting that occurred during the period covered by this Annual Report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. We have engaged in, and are continuing to engage in, efforts to improve our internal control over financial reporting and disclosures and procedures related to substantially all areas of our financial statements and disclosures.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT



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The members of the audit committee are Messrs. William J. Witte, Allen Leschert, and Andrew MacRitchie. The Company's Board of Directors has determined that Mr. MacRitchie qualifies as an "audit committee financial expert" and is "independent" as that term is defined under NYSE MKT rules. Mr. MacRitchie is a Chartered Professional Accountant and CFO of a resource company. The other members of the audit committee also have significant financial experience within the mining industry and are considered financially literate, and they are also considered independent.

ITEM 16B. CODE OF ETHICS

The Company has adopted a code of ethics that applies to the Company's chief executive officer, the chief financial officer and other members of senior management. The Company's Code of Ethics is included as an exhibit to this Form 20-F. There have been no amendments to the code of ethics and no waivers during the year ended December 31, 2017, and to the date of this Form 20-F.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table discloses the aggregate fees billed for each of the last three fiscal years for professional services rendered by the Company's audit firm for various services:

**Professional Service Fees from Audit Firm**

| <b>Services:</b>                  | <b>Years ended December 31</b> |                     |
|-----------------------------------|--------------------------------|---------------------|
|                                   | <b>2017 (Cdn\$)</b>            | <b>2016 (Cdn\$)</b> |
| Audit Fees                        | \$ 26,000                      | \$ 22,000           |
| Audit-Related Fees <sup>(1)</sup> | --                             | --                  |
| Tax Fees                          | --                             | --                  |
| All Other Fees <sup>(2)</sup>     | --                             | --                  |
| <br>                              |                                |                     |
| Total Fees                        | \$ 26,000                      | \$ 22,000           |

Notes:

(1)

“Audit-Related Fees” includes services that are traditionally performed by the auditor. These audit-related services include review of SEC documentation and audit or attest services not required by legislation or regulation.  
(2) Canadian Public Accounting Board and IFRS conversion fees.

From time to time, management of the Company recommends to and requests approval from the audit committee for non-audit services to be provided by the Company’s auditors. The audit committee routinely considers such requests at committee meetings, and if acceptable to a majority of the audit committee members, pre-approves such non-audit services by a resolution authorizing management to engage the Company’s auditors for such non-audit services, with set maximum dollar amounts for each itemized service. During such deliberations, the audit committee assesses, among other factors, whether the services requested would be considered “prohibited services” as contemplated by the United States Securities and Exchange Commission and whether the services requested and the fees related to such services could impair the independence of the auditors. All of the non-audit related services provided by the Company’s audit firm were pre-approved by the audit committee.

During the year ended December 31, 2017, all of the services described above under “Principal Accountant Fees and Services” under the captions “Audit-Related Fees”, “Tax Fees”, and “All Other Fees” were approved by the Audit Committee pursuant to paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X.

**ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES**

Not applicable.

**ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS**

Not applicable.



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ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

Disclosure relating to this item was previously reported in the Company's Form 20-F annual report for the year ended December 31, 2014, as amended on November 4, 2015.

ITEM 16G. CORPORATE GOVERNANCE

Not applicable.

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

**PART III**

ITEM 17. FINANCIAL STATEMENTS

Not Applicable. See Item 18.

ITEM 18. FINANCIAL STATEMENTS

Independent Auditor's Reports

F-1

Consolidated Statements of Financial Position as at December 31, 2017, 2016, and 2015

F-1

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|  |     |
|--|-----|
| Consolidated Statements of Comprehensive Income for the years ended December 31, 2017, 2016, and 2015            | F-1 |
| Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2017, 2016, and 2015 | F-1 |
| Consolidated Statements of Cash Flows for the years ended December 31, 2017, 2016, and 2015                      | F-1 |
| Notes to the Consolidated Financial Statements for the years ended December 31, 2017, 2016, and 2015             | F-1 |

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ITEM 19. EXHIBITS

**Index to Exhibits**

The following exhibits are filed with, or incorporated by reference in, this Annual Report on Form 20-F.

| <b>Exhibit<br/>Number</b> | <b>Description</b>  |
|---------------------------|---|
| F-1                       | <u>Consolidated Financial Statements for Years Ended December 31, 2017, 2016, 2015, and the Auditors' Report.*</u>                      |
| 1.1                       | <u>Articles and Memorandum of Emgold Mining Corporation, originally incorporated as 361869 B.C. Ltd. on March 17, 1989.(1)</u>          |
| 2.1                       | <u>2005 Stock Option Plan (10% Rolling) – June 8, 2005, amended December 22, 2011 and approved by the TSX-V on February 2, 2012.(2)</u> |
| 8.1                       | <u>List of subsidiaries.(3)</u>   |
| 11.1                      | <u>Code of Ethics, effective September 1, 2005.(2)</u>  |
| 12.1                      | <u>Certification pursuant to Rule 13a-14(A)/15d-14(a) of Chief Executive Officer.*</u>  |
| 12.2                      | <u>Certification pursuant to Rule 13a-14(A)/15d-14(a) of Chief Financial Officer.*</u>  |
| 13.1                      | <u>Certification pursuant to 18 U.S.C. Section 1350 of Chief Executive Officer.*</u>  |
| 13.2                      | <u>Certification pursuant to 18 U.S.C. Section 1350 of Chief Financial Officer.*</u>  |

Notes:

\* Filed herewith.

(1) Previously filed as exhibit to Form 6-K on March 8, 2010 and incorporated by reference.

(2) Previously filed as exhibit to Form 20-F on May 21, 2013 and incorporated by reference.

(3) Previously filed as exhibit to Form 20-F on May 2, 2017 and incorporated by reference.

END OF EXHIBITS



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**Glossary of Geologic and Mining Terms**

|                    |   |
|--------------------|---|
| Anomaly            | Any deviation from normal. Examples would include geologic features or concentrations of metal noticeably different than surrounding features or metals.  |
| Arsenopyrite       | A sulphide of arsenic and iron.   |
| Assay              | An analysis to determine the presence, absence or quantity of one or more components.   |
| Axis               | An imaginary hinge line about which the fold limbs are bent. The axis of a fold can be at the top or bottom of the fold, can be tilted or horizontal.   |
| Batholith          | An intrusion, usually granitic, which has a large exposed surface area and no observable bottom. Usually associated with orogenic belts. Of a large, deep-seated rock intrusion, usually granite, often forming the base of a mountain range, and uncovered only by uplifted erosion. |
| Bed                | The smallest division of a stratified rock series, marked by a well-defined divisional plane from its neighbours above and below; an ore deposit, parallel to the stratification, constituting a regular member of the series of formations.  |
| Bedding            | Condition where planes divide sedimentary rocks of the same or different lithology.   |
| Bedrock            | Solid rock exposed at the surface of the earth, or overlain by surficial deposits.  |
| Breccia            | Rock made up of angular fragments in a matrix of finer-grained material or cementing material.  |
| Brecciated         | Rock broken up by geological forces.  |
| Bulk sample        | A very large sample, the kind of sample to take from broken rock, or from gravels and sands when testing placer deposits.   |
| Calcite            | Calcium carbonate, a mineral found in limestone, chalk and marble and metamorphic rocks.  |
| Chalcopyrite       | Copper iron sulphide mineral and an important ore of copper.  |
| Chip sample        | A sample composed of discontinuous chips taken along a rock surface across a given line.  |
| Claim              | That portion of public mineral lands, which a party has staked or marked out in accordance with provincial or state mining laws, to acquire the right to explore for the minerals under the surface.  |
| Contact            | The place or surface where two different kinds of rocks come together.  |
| Crystalline        | Means the specimen is made up of one or more groups of crystals.  |
| Cut-off grade      | The minimum grade of mineralization used to establish quantitative and qualitative estimates of total mineralization.   |
| Deposit            | A natural occurrence of a useful mineral or ore in sufficient extent and degree of concentration to invite exploitation.  |
| Diabase            | Igneous hypabyssal rocks that are transitional from volcanic to plutonic. The name is applied differently in different parts of the world leading to considerable confusion.  |
| Diamond drill      | A type of rotary drill in which the cutting is done by abrasion using diamonds embedded in a matrix rather than by percussion. The drill cuts a core of rock which is recovered in long cylindrical sections.   |
| Diamond drill hole | A method of obtaining a cylindrical core of rock by drilling with a diamond impregnated bit.  |
| Dilution           | Results from the mixing in of unwanted waste rock with the ore during mining.   |
| Dip                | The angle at which a stratum or drill hole is inclined from the horizontal. Alternatively, a geological measurement of the angle of maximum slope of planar elements in rocks.  |
| Displacement       | Relative movement of rock on opposite side of a fault; also known as dislocation.   |
| Fault              | A fracture or fracture zone along which there has been displacement of the sides relative to one another parallel to the fracture. Alternatively, a break in the continuity of a body of rock.  |
| Feasibility study  | Engineering study to determine if a mineral property can be developed at a profit, and which methods should be used to develop it.  |

Feldspar A group of aluminum silicate minerals closely related in chemical composition and physical properties. There are two major chemical varieties of feldspar: the potassium aluminum, or potash feldspars and the sodium-calcium-aluminum, or plagioclase feldspars.

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| Felsic                           | Light-coloured silicate minerals, mainly quartz and feldspar, or an igneous rock comprised largely of felsic minerals (granite, rhyolite).  |
| Folds                            | Flexures in bedded or layered rocks. They are formed when forces are applied gradually to rocks over a long period of time.   |
| Footwall                         | The mass of rock that lies beneath a fault, an ore body, or a mine working; the top of the rock stratum underlying a vein or bed of ore.  |
| Fracture                         | Breaks in a rock, usually due to intensive folding or faulting.   |
| Gangue                           | Term used to describe worthless minerals or rock waste mixed in with the valuable minerals.   |
| Geochemical anomaly              | An area of elevated values of a particular element in soil or rock samples collected during the preliminary reconnaissance search for locating favourable metal concentrations that could indicate the presence of surface or drill targets.  |
| Geochemical survey               | A systematic measure of the abundance of different elements in rock, soil, water, etc.  |
| Geochemistry                     | Study of chemical elements in rocks or soil.  |
| Geological mapping               | Surveys defining the surface distribution of rock varieties, age relationships and structural features.   |
| Geophysics                       | The study of the physical properties of rocks, minerals, and mineral deposits.  |
| Gouge                            | Soft, pulverized mixture of rock and mineral material found along shear (fault) zones and produced by the differential movement across the plane of slippage.   |
| Grab sampling                    | A random sample of mineralized rock with no statistical validity, taken simply to check the type of mineralization.   |
| Grade                            | The concentration of each ore metal in a rock sample, usually given as weight percent. Where extremely low concentrations are involved, the concentration may be given in grams per tonne (g/t) or ounces per ton (oz/t). The grade of an ore deposit is calculated, often using sophisticated statistical procedures, as an average of the grades of a very large number of samples collected from throughout the deposit. |
| Granite                          | An intrusive igneous rock consisting essentially of alkali feldspar and quartz, plus micas and accessory minerals.  |
| Graphite                         | A soft black form of native carbon.   |
| Grid                             | A network composed of two sets of uniformly spaced parallel lines, usually intersecting at right angles and forming squares, superimposed on a map, chart, or aerial photograph, to permit identification of ground locations by means of a system of coordinates and to facilitate computation of direction and distance and size of geologic, geochemical or geophysical features.  |
| Hanging wall and footwall        | Terms used in reference to faults when mining along a fault, your feet would be in the footwall side of the fault and the other side would be “hanging” over your head. The rock mass above a fault plane, vein, lode, ore body, or other structure, the underside of the country rock overlying a vein or bed of ore.  |
| Heavy mineral concentrate sample | A sample of heavy minerals collected from stream gravels and concentrated by panning.   |
| Hectare                          | A square of 100 metres on each side; 10,000 square metres or 2.471 acres.   |
| Host rock                        | The rock within which the ore deposit occurs.   |
| Igneous                          | Rock formed by the cooling of molten silicate mineral.  |

Induced  
polarization

(I.P.) method A geophysical method used to measure various electrical responses to the passage of alternating currents of different frequencies through near-surface rocks or to the passage of pulses of electricity.



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| Intermediate Intrusion                  | An igneous rock made up of both felsic and mafic minerals (diorite).   |
| Intrusive rock                          | General term for a body of igneous rock formed below the earth's surface.  |
| Joint venture agreement                 | Any igneous rock solidified from magma beneath the earth's surface.  |
| Lode                                    | An agreement where the parties agree to the terms on which a property will be explored, developed, and mined.  |
| Mafic                                   | See vein.  |
| Magma                                   | A term used to describe ferromagnesian minerals. Rocks composed mainly of ferromagnesian minerals are correctly termed melanocratic.   |
| Massive                                 | Naturally occurring molten rock material, generated within the earth and capable of intrusion and extrusion, from which igneous rocks have been derived through solidification and related processes. It may or may not contain suspended solids (such as crystals and rock fragments) and/or gas phases.  |
| Melange                                 | Implies large mass. Applied in the context of hand specimens of, for example, sulphide ores; it usually means the specimen is composed essentially of sulphides with few, if any, other constituents.  |
| Metamorphosed or metamorphic            | A body of rock characterized by a lack of internal continuity of contacts or strata and by the inclusion of fragments and blocks of all sized and sometimes various types, embedded in a fine-grained matrix.  |
| Meta-sediment                           | A rock that has been altered within the earth's crust by physical and chemical processes including heat, pressure and fluids.  |
| Metavolcanic                            | A sediment or sedimentary rock that shows evidence of metamorphosis.   |
| Mesozoic                                | An informal term for volcanic rock that shows evidence of metamorphosis.   |
| Mineral                                 | An era of geologic time, from the end of the Paleozoic era to the start of the Cenozoic, or from about 225 to about 50 million years ago.  |
| Mineral claim                           | A naturally occurring, inorganic, solid element or compound that possesses an orderly internal arrangement of atoms and a unique set of physical and chemical properties.  |
| Mineral deposit or mineralized material | A legal entitlement to minerals in a certain defined area of ground.   |
| Mineralization                          | A mineralized underground body which has been intersected by sufficient closely spaced drill holes and / or underground sampling to support sufficient tonnage and average grade of metal(s) to warrant further exploration-development work. This deposit does not qualify as a commercially mineable ore body (reserves), as prescribed under Commission standards, until a final and comprehensive economic, technical, and legal feasibility study based upon the test results is concluded. |
| Mining lease                            | The concentration of metals and their chemical compounds within a body of rock.  |
| Net smelter returns                     | A claim or number of claims to which the right to mine is assigned.  |
| royalty                                 | Means the amount actually paid to the mine or mill owner from the sale of ore, minerals and other materials or concentrates mined and removed from mineral properties. A royalty based on net smelter returns provides cash flow that is free of any operating or capital costs and environmental liabilities.   |
| Option agreement                        | An agreement where the optionee can exercise certain options to increase contracted interest in a property by making periodic payments to the optionor or by exploring, developing or producing from   |

the optionor's property.

Ore A natural aggregate of one or more minerals which may be mined and sold at a profit, or from which some part may be profitably separated.

Ore body A solid and fairly continuous mass or ore.

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| Ore reserve                | The measured quantity and grade of all or part of a mineralized body in a mine or undeveloped mineral deposit for which the mineralization is sufficiently defined and measured on three sides to form the basis of at least a preliminary mine production plan for economically viable mining.   |
| Outcrop                    | An in-situ exposure of bedrock.   |
| Paleozoic                  | An era of geologic time, from the end of the Precambrian to the beginning of the Mesozoic, or from about 570 to about 225 million years ago.  |
| Pluton                     | Term for an igneous intrusion, usually formed from magma.   |
| Pyrite                     | Iron sulphide (FeS <sub>2</sub> )   |
| Qualified person           | In accordance with NI 43-101, a “qualified person” means an individual with at least five years of experience in mineral exploration, mine development or operation or mineral project assessment, or any combination of these. This person must also have experience relevant to the subject matter of the mineral project, and must be member in good standing of a professional association. |
| Quartz                     | A mineral composed of silicon dioxide.  |
| Reclamation bond           | Usually required when mechanized work is contemplated. Used to reclaim any workings or put right any damage, if your reclamation does not satisfy the requirements of the regulations.  |
| Reconnaissance             | A general examination or survey of a region with reference to its main features, usually as a preliminary step to a more detailed survey.   |
| Replacement mineralization | Mineral deposit formed by replacement of previous rock.   |
| Reverse circulation drill  | A rotary percussion drill in which the drilling mud and cuttings return to the surface through the drill pipe.  |
| Rock chip sample           | A rock sample consisting of chips collected continuously over a specified width.  |
| Rotary drilling            | A drilling method where a hard-toothed bit rotates at the bottom of a drill pipe, grinding a hole into the rock. Lubrication is provided by continuously circulating drilling fluid, which brings the rock cuttings to the surface.   |
| Royalty interest           | A royalty interest is tied to a unit of production, such as tonne of concentrate or ounce of gold or silver produced. A common form of royalty interest is the net smelter return.  |
| Sample                     | Small amount of material that is supposed to be absolutely typical or representative of the object being sampled.   |
| Schist                     | A strongly foliated crystalline rock, formed by dynamic metamorphism, that has well-developed parallelism of more than 50% of the minerals present, particularly those of lamellar or elongate prismatic habit, e.g. mica and hornblende.   |
| Sedimentary                | A rock formed from cemented or compacted sediments.   |
| Sediments                  | Are composed of the debris resulting from the weathering and break-up of other rocks that have been deposited by or carried to the oceans by rivers, or left over from glacial erosion or sometimes from wind action.   |
| Sericite                   | A fine-grained variety of mica occurring in small scales, especially in schists.  |
| Shaft                      | Vertical opening downwards.   |
| Showing                    | A rock outcrop revealing the presence of a certain mineral.   |
| Silicate                   | Most rocks are made up of a small number of silicate minerals ranging from quartz (SiO <sub>2</sub> ) to more complex minerals such as orthoclase feldspar (KAlSi <sub>3</sub> O <sub>8</sub> ) or hornblende (Ca <sub>2</sub> Na(Mg,Fe) <sub>4</sub> (Al,Fe,Ti)Si <sub>8</sub> ) <sub>22</sub> (OH) <sub>2</sub> ).  |

|               |   |
|---------------|---|
| Soil sampling | Systematic collection of soil samples at a series of different locations in order to study the distribution of soil geochemical values.   |
| Sphalerite    | A zinc sulphide, ZnS, which may contain some iron and cadmium; the principal ore of zinc and cadmium.   |
| Stock         | An igneous intrusive body of unknown depth with a surface exposure of less than 104 square kilometres. The sides, or contacts, of a stock, like those of a batholith, are usually steep and broaden with depth. |

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| Stock work    | A mineral deposit consisting of a three-dimensional network of closely spaced planar or irregular veinlets.  |
| Stope         | An excavation in a mine from which ore is, or has been, extracted.   |
| Strike        | The bearing, or magnetic compass direction, of an imaginary line formed by the intersection of a horizontal plane with any planar surface, most commonly with bedding planes or foliation planes in rocks. |
| Tailings      | Material rejected from a mill after recoverable valuable minerals have been extracted.   |
| Tailings pond | A pond where tailings are disposed.  |
| Trenching     | The act of blasting or digging through overburden or outcrop to attend fresh bedrock for mapping and sampling.   |
| Veins         | The mineral deposits that are found filling openings in rocks created by faults or replacing rocks on either side of faults.   |
| Waste         | Rock which is not ore. Usually referred to that rock which has to be removed during the normal course of mining in order to get at the ore.  |
| Workings      | A part of a mine, quarry, etc., where work is or has been done.  |

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SIGNATURES

Emgold Mining Corporation hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

**EMGOLD MINING CORPORATION**

Per:

/s/ David G. Watkinson

David G. Watkinson, Chief Executive Officer

/s/ Grant T. Smith

Grant T. Smith, Chief Financial Officer

DATED: May 8, 2018

