



An Oxbridge Research Investment Summary

Emgold Mining Corporation
Suite 1400-570 Granville Street
Vancouver, British Columbia
Canada V6C 3P1
604.687.4622 www.emgold.com

Emgold Mining Corporation: **EMR (TSX.V)**, **EGMCF (OTCQB)**

Stock Price (4/5/12):	\$0.10
Target Price:	\$0.33
Recommendation:	Undervalued
Shares Outstanding:	58.7 mm
Market Capitalization:	\$5.9 mm
52 week range:	\$0.07 - \$0.20
Avg. Daily Volume (3 mos):	31,046

INITIATION OF COVERAGE, April 20th, 2012
ANALYST CERTIFYING THIS REPORT
JEFFREY SONG



Company Description

Emgold Mining Corporation is a Vancouver-based gold exploration and development company with five exploration and development projects in North America. The Company's objective is to generate value for its stakeholders by acquiring and developing quality properties, in stable jurisdictions of the world, and advancing them through exploration, permitting, construction, and ultimately create a new gold producing company. The main goal of the Company is to permit and reopen the historic Idaho-Maryland Gold Mine located in Grass Valley, California (I-M Project). The Company plans to develop a 2,400 ton per day mining operation with potential to produce over 200,000 ounces of gold per year. The Company also has a portfolio of four early to middle stage mineral exploration projects including the Buckskin-Rawhide Property in Nevada, the Koegel Rawhide Property in Nevada, the Stewart Property in British Columbia, and the Rozan Property in British Columbia.

Analyst Background

Jeffrey Song has over 10 years of investment banking, private equity, and public equity investing experience including 3 years of investment banking at Goldman Sachs, 4 years at a private equity firm, and 4 years as the investment manager for private family wealth. Mr. Song started his career at Goldman Sachs where he spent 3 years as a financial analyst in their mergers & acquisitions and private equity groups covering a broad range of industries and closing 8 transactions with a total value of over \$6 billion. He then spent 4 years as a senior associate at Friedman, Fleischer, & Lowe, a \$1 billion SF-based private equity firm where he focused on leverage buyouts and growth equity investments in middle market companies. After working briefly at Gandhara Capital, a \$2 billion equity hedge fund in Hong Kong, Mr. Song spent 4 years as the investment manager for private family wealth. Most recently, he was the consulting CFO and founder of two early stage internet startup ventures. Mr. Song graduated from Stanford University with a Bachelors degree in Industrial Engineering.

EMGOLD MINING CORPORATION

EMR.V

Apr 04, 2012





INVESTMENT HIGHLIGHTS

- **Opportunity to invest in an undervalued gold exploration company with a world class gold asset.**
- **Idaho-Maryland Project in California has significant gold resources and production potential**
 - Measured plus indicated resources of 472,000 ounces of gold and inferred resources of 1,002,000 ounces of gold (see page 14 for details)
 - Exploration target of 3-5 million ounces of gold, subject to additional exploration
 - Company plans to develop into a mining operation with potential to produce over 200,000 ounces of gold annually (in the advanced stages of permitting)
- **Four additional excellent exploration properties** in Nevada and British Columbia with strong potential for discovery and delineation of gold, silver, and other metal resources
 - Strategically located Buckskin Rawhide and Koegel Rawhide Properties in Nevada with gold and silver exploration targets identified
 - Stewart and Rozan Properties in British Columbia with molybdenum, tungsten, gold, and silver targets identified
- **The Company's gold assets and solid resource base is currently undervalued** with the stock trading at \$0.10 per share and a market capitalization of \$5.9 million. This implies a value of only \$4 per measured, indicated, and inferred ounce of gold resource, far below its peer companies
- **Our valuation analysis results in a target price of \$0.33 per share** applying a steep discount to management's assumptions for value per ounce of gold resource
 - This potential price represents significant upside of over 3 times the current stock price and 2 times the recent high of \$0.15 per share
 - There appears to be significant upside potential as the company's main asset advances through the permitting process into production
- **The Company recently completed two equity financings in late 2011, totaling \$2.2 million**, which should provide sufficient funding for its exploration activities in B.C. and Nevada through 2012. The Company also plans to raise additional funds to advance its Idaho-Maryland Project in 2012
- **Gold pricing outlook is positive** given a favorable supply/demand situation and supportive global macroeconomic factors. Further, gold mining stocks have underperformed gold prices and are positioned for an upward move
- **Strong management team and Board of Directors** with considerable exploration and development mining experience



Investment Thesis

Emgold Mining presents an opportunity to invest in a world class gold asset whose main property shows strong potential for development a 3-5 million gold resource. The Company's main property, the Idaho-Maryland Project in California, is expected to have a completed Environmental Impact Report (EIR) within 12 months, subject to financing. The Company plans to develop and bring the mine into production at an expected rate of over 200,000 ounces of gold annually. At today's prices, that could translate into long-term potential revenue generation of over \$300 million annually. There are a number of factors that give us confidence that this mine could produce at these levels including historic production records, a NI 43-101 technical report indicating measured and indicated resources of 472,000 ounces of gold and inferred resources of 1,002,000 ounces of gold (see details on page 14). The Idaho-Maryland Mine and the historic mines adjacent to it have considerable historical production of over 13 million ounces of gold. Lastly, the regulatory environment for mining in California seems favorable with increased mining activity over the last several years including mine reopenings, mine expansions, increased exploration, and permitting plans at 7 different mines.

The Company also has a portfolio of four additional exploration properties in Nevada and British Columbia with strong potential for discovery and development of gold, silver, and other metals resources. The Buckskin Rawhide and Koegel Rawhide properties in Nevada are early stage gold/silver production properties located next to the large and successful Rawhide Mine which historically produced over 1.5 million ounces of gold and 12.4 million ounces of silver. Two high quality exploration targets have been identified at Buckskin Rawhide with good sampling results. In addition, favorable sampling results have been obtained at the company's recently acquired Koegel Rawhide property. The Stewart and Rozan properties in British Columbia are early to middle stage poly-metallic exploration properties where multiple high quality targets have been identified and there are good prospects for discovery and development of gold, silver, molybdenum, tungsten, rhenium, and other metals resources. The Company plans to develop these four properties as standalone properties. Opportunity exists to develop them in synergistic partnerships with other adjacent properties or extract value through a lease, joint venture, sale, or other business opportunities. Note that location of Emgold's properties adjacent to existing resources or mines does not guarantee discovery or development of a resource on Emgold's properties.

At the current stock price of \$0.10 per share and market capitalization of \$5.9 million, the stock is undervalued given its strong gold assets and solid resource base in comparison to peer group companies. This valuation would only imply a \$4 value per gold ounce of measured, indicated, and inferred gold resources where peer group companies have a value exceeding \$12 per ounce of measured, indicated, and inferred gold resources. Our valuation analysis, which applies a steep discount of 66% to management's assumptions for the value per ounce of gold resource, results in a market capitalization of \$19 million for Emgold and target price of \$0.33 per share. This potential price represents significant upside of over 3 times the current stock price and 2 times the recent high of \$0.15 per share. At the current price of \$0.10 per share, there also seems to be limited downside risk with a 52 week low of \$0.07 per share. Further, there could be additional upside as the Idaho-Maryland Project completes the permitting process and from any discovery or resource development from the Company's other four properties, which is not included in our analysis.



The future success and viability of any early to middle stage exploration mining company is dependent on the Company's access to capital to fund its operations and remain an ongoing concern. The Company raised \$2.2 million at the end of 2011 from the private placement of stock. This private placement will provide enough funding for the Company's exploration activities in B.C. and Nevada through 2012. The Company plans to raise additional funds for its Idaho-Maryland Project in 2012.

Although the Company is currently not producing gold, the potential value of the Company's in-ground resources are sensitive to current gold prices. Gold prices directly affect the profits, financial health, and stock valuations of gold mining production companies. In rising gold price environments, those companies will be more active in acquiring and investing in exploration and development companies. Gold prices are likely to sustain or increase from current levels in the mid-term due to a positive supply/demand situation and favorable macro-economic factors. Stocks in the gold mining sector have significantly underperformed gold prices over the last year, and seem poised to recover as they continue to post strong revenues and improving margins.

Potential risks to an investment in the Company include the following:

- No guarantee that gold, silver, or other metals will be found at properties in the same quantities as suggested in technical reports and samplings or will be economically recoverable
- Potential for permitting process to be declined or prolonged at the Idaho-Maryland Project; other regulatory and political issues at the federal, state, and local levels
- The majority of the future value of the Company is dependent primarily on a single property; the only property where a formal technical report measuring gold resources has been performed to date
- Ability of the Company to extract value from its other four properties as standalone entities, in partnership with adjacent partners, or through a lease/joint venture/sale
- The Company is dependent on the availability of future financings to fund further exploration and development; completion of current private placement of stock will result in additional equity dilution
- Future potential operational risks associated with further exploration, development, and eventually production including accidents, community concerns, environmental issues, etc.
- Future decline and volatility in gold prices and/or gold mining stocks could impact viability of the Company and potential stock price appreciation
- The company has a very small market capitalization and low trading volumes/liquidity which could give rise to price volatility



EXECUTIVE SUMMARY

- Emgold Mining Corporation is a Vancouver-based gold exploration and development company with five exploration and development projects in North America. The Company's objective is to acquire high quality gold assets and advance them through exploration and development to become a new gold producer
 - The main goal is to permit and reopen the Idaho-Maryland Project
 - The secondary goal is to add value to the company through the company's earlier stage exploration properties in Nevada and British Columbia

- The Company has a world class gold asset in the Idaho-Maryland Project, California in the advanced stage of permitting with substantial resources and production potential
 - Measured plus indicated resources of 472,000 ounces of gold and inferred resources of 1,002,000 ounces of gold (see details on page 14).
 - Second largest historical underground gold producer in California with total recorded production of 2.4 million ounces of gold at a recovered rate of 0.43 ounces per ton; underground mines within a 3 mile radius have produced 13 million ounces of gold
 - Potential resource target of 3 to 5 million ounces of gold, subject to additional exploration
 - Company plans to develop a 2,400 ton per day mining operation with potential to produce over 200,00 ounces of gold per year
 - In advanced stages of completing an Environmental Impact Report to reopen the mine (expected within 12 months, subject to financing)
 - There has been a resurgence of mining activity in California over the last several years including mine reopenings, mine expansions, increased exploration, and permitting plans at 7 different mines

- The Company also has a portfolio of four excellent gold, silver, and poly-metallic exploration properties located in Nevada and British Columbia:



1) The Buckskin Rawhide Property in Nevada is an early stage 1,255 acre gold/silver exploration property located adjacent to the large and successful Rawhide Mine

- The Rawhide Mine, formerly operated by Kennecott Minerals and now operated by Rawhide Mining Company, historically produced over 1.5 million ounces of gold and 12.4 million ounces of silver
- Two high quality exploration targets have been identified to date with excellent sampling results indicating potential for delineation of a resource
- Plans are to develop Buckskin Rawhide as a standalone property or advance the property through lease, joint venture, or other arrangement

2) The Koegel Rawhide Property in Nevada is an early stage 720 acre gold/silver production property several miles south of Rawhide Mine and the Buckskin Rawhide Property

- Historic and Emgold sampling results were favorable identifying one high quality exploration target and potential for delineation of a resource
- Plans to develop Keogel Rawhide as a standalone property or advance the property through lease, joint venture, or other arrangement

3) The Stewart Property in British Columbia is a middle stage poly-metallic property on 14,300 acres

- It is adjacent to the Kena Property which has a reported NI 43-101 compliant gold resource of over 541,000 measured and indicated ounces (see Sultan Minerals website)
- Stewart has good prospects for molybdenum, tungsten, gold, silver, rhenium, and other metals
- Four high quality exploration targets have been identified to date
- Plans are to develop Stewart as a standalone property or advance the property through lease, joint venture, or other arrangement

4) The Rozan Property in British Columbia is a early stage poly-metallic property on 4,817 acres

- It is south of the Star and Toughnut Properties being explored by Valerra Resource Corporation.
- Rozan has good prospects for gold, silver, molybdenum, tungsten, rhenium, and other metals
- Five high quality exploration targets have been identified to date
- Plans to develop Rozan as a standalone property or advance the property through lease, joint venture, or other arrangement

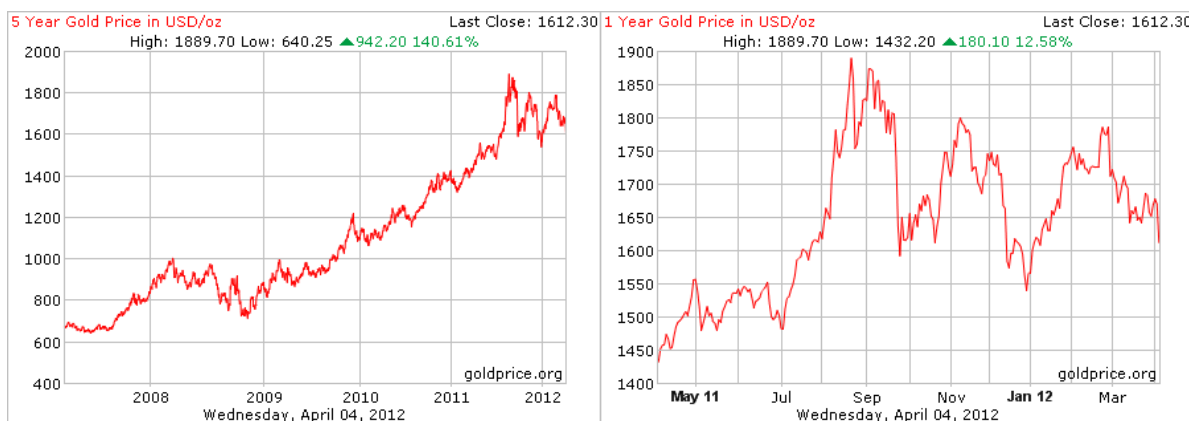
- The Company raised \$2.2 million at the end of 2012 which should provide enough funding for the most of the Company's exploration activities in B.C. and Nevada through 2012. The Company plans to raise additional funds for its Idaho-Maryland Project in 2012
- Gold prices likely to maintain or increase from current levels due to a positive supply/demand situation driven by low production levels and large central bank purchases on the supply side, while strong demand continues from the investment sector and Asian markets. A combination of global economic factors including slower global growth, higher commodity prices, inflation fears, and low interest rate environments should also drive continued investment in gold



- Stocks in the gold mining sector have underperformed gold prices over the last year and seem to be overly punished. Potential for substantial recovery in the sector as gold miners continue to post strong earnings
- Strong management team and Board of Directors with experience in exploration, project development, mine construction, mine operation, and corporate development

Industry Overview

Since 2007 the world has seen a period of striking economic and financial volatility featuring the deepest recession since the 1930's and large declines in financial assets. In contrast to this backdrop, gold has had strong outperformance, roughly doubling in the same time period. Gold's performance during this period has led to increased investor education and reevaluation of the metal as a key asset class to include in investor's portfolio diversification strategies. Traditionally used as a method to store value and as insurance during stressful periods, gold is relatively immune to inflation, financial crises, economic cycles, and currency devaluations. These attributes were exemplified throughout the recession and continue to support the price of gold in the current uncertain global economic environment. The price of gold is currently approximately \$1,650 per ounce which is up 13% over the last year and 3% year-to-date. This price is near the low end of the range over the last six months of approximately \$1,550 - \$1,800 per ounce. The outlook for gold prices remains positive due to numerous factors including: a positive supply/demand relationship, a slow US economic recovery and shallow recession in Europe, slowdown of growth in developing countries, continued high government debt levels and massive deficits leading to loose monetary policies, expected inflationary pressures, and a prolonged low global interest rate environment.



Supply and Demand

Gold's historical popularity as a currency to store value has certain characteristics that are unique from other financial assets. Unlike other commodities, gold is very resilient and does not degrade over time, making it a great long-term storage of value. Most gold that has been mined even hundreds of years ago likely still exists today in some form. Supply of gold is fairly constant and has exhibited flat to low growth over a long period of time. This is due to the fact that annual mine production only accounts for around 60% of supply, with the other 40% coming

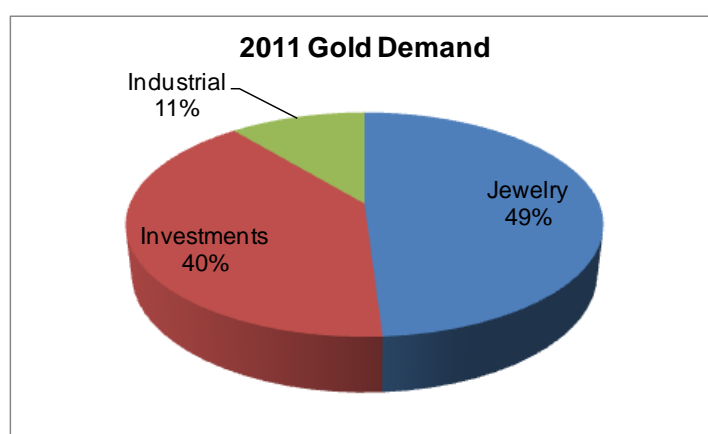


from recycled gold. The production of gold has declined steadily over the last decade but there have been modest increases in recent years due to high gold prices. It is expected that gold production will decline in the long term due to limited exploration success and lower grade discoveries. This weakness in long term production places an increasingly high premium on in-ground gold reserves.

In 2011, total gold supply declined by 4% to 3,994 tons despite a 4% increase in gold mine production. This decline was driven by a 2% decline in recycled gold supply and large purchases by central banks of 440 tons or almost 6 times prior year purchases. These large purchases by central banks continues a multi-year trend of central banks proactively increasing their gold reserves to diversify their asset base and reduce reliance on one or two foreign currencies. China, India, and Russia have been the most aggressive purchasers over the last three years with China adding 454 tons (76% increase), India adding 200 tons (56% increase), and Russian adding 363 tons (66% increase) over the period. Central banks account for 15% of all above-ground gold supplies.

There are three sources of demand for gold (% of total demand figures for 2011):

- Jewelry – 49%
- Investments (bars, coins, ETFs, other investment vehicles) – 40%
- Industrial (electronics manufacturing, dentistry) – 11%



Gold demand rose 0.4% in 2011 to 4,067 tons mainly driven by the investment sector where demand was up 5%. Jewelry and industrial demand were weak with jewelry down 3% and industrial down 0.6%, due to a slowing global economic environment and specific weakness in India. China continued to outperform with overall demand up 20% in 2011 driven by strong growth in jewelry and investments from the continued rise of their wealthy class. China and India combined account for 55% of global jewelry demand and 49% of global total demand. Future global demand for gold should remain healthy with recovery in developed markets and continued high growth in China, India, and other emerging markets. Furthermore, the investment sector has exhibited strong multi-year growth with the emergence and availability of a range of gold financial instruments such as ETFs, widespread acceptance of gold as a standard portfolio diversification asset class, and continued strong worldwide demand for physical gold in forms such as bars and coins by retail investors.



In summary, the supply/demand situation looks positive with strength on the demand side from recovering developed markets, high emerging markets growth, and continued investment sector strength. On the supply side, mine production is expected to experience low growth while central banks should continue to be net buyers of gold, thereby reducing supply.

Macro-economic Factors

From a macro-economic perspective, there are several factors that should support and potentially lift gold prices from current levels. Although the US economy is certainly in recovery mode with GDP expected to grow over 2% this year and good consumer spending and industrial/manufacturing activity, there are still a number of large obstacles including stubbornly high unemployment, a likely multi-year housing recovery process, high government debt, high oil prices, and a potential slowdown in corporate earnings as most companies remain cautious about growth and expect future margin pressure. From a global perspective, Europe is in the midst of a shallow recession and the region is still dealing with massive government debt issues. In the near term, growth in emerging markets appears to be slowing, as evidenced in China, India, and Brazil. Sustained high oil, commodities, and raw materials prices will also dampen consumer spending and economic growth around the world. Against this backdrop of potentially slowing global economic growth, gold should see strong investor interest as a safe haven and wealth preservation play. Furthermore, easy monetary policies by the US and other developed countries over the last several years has increased money supplies, setting the stage for future inflation. Emerging markets including China, India, and Vietnam are already dealing with elevated inflation levels. Investors should gravitate to gold to preserve value as inflation emerges around the world. Lastly, the low interest rate environment that the US and other developed countries plan to maintain over the mid-term will also be bullish for gold prices.

Gold Mining Sector

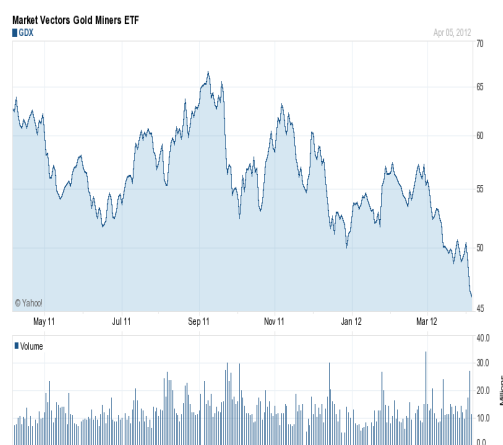
Unlike other mining industries, the gold mining industry is not vertically integrated. There are three main types of gold mining companies:

- Exploration – these companies tend to have very little assets and their sole focus is to explore and prove that gold exists in its properties. The company's major assets are land leases, rights to drill, and a small amount of capital for drilling and exploration activities. In addition to a few large exploration companies, there are hundreds of small exploration companies that focus on a single property or limited properties.
- Development – once gold deposits are discovered by exploration companies they either become development companies or sell their properties to development companies. Development companies operate on explored areas that have proven deposits.
- Production – production mining companies are mature mining companies that extract and produce gold from existing mines. These include large cap companies such as Goldcorp, Newmont Mining, Barrick Gold, and Yamana Gold.

Historically, stock prices in the gold mining sector have generally followed the pricing pattern in gold prices as these companies' revenues and profits are directly correlated with gold spot prices. Due to their operational leverage, gold mining stocks tend to outperform in gold bull markets but they also underperform in gold bear markets given their fixed cost structure and exposure to operational and market risks. From the market lows in 2008, the gold mining sector has been one of the best performing areas with substantial outperformance over the S&P500 as



well as the price of gold itself. This trend reversed in 2011 when gold prices continued to push higher while the gold mining sector suffered from global economic concerns and equity market weakness. Another factor negatively affecting prices in the gold mining sector has been the popularity and growth of gold ETFs as investment vehicles for exposure to gold.



The underperformance of the gold mining sector in 2011 has continued so far in 2012 with the GDX gold miners ETF down 9% year to date and the GDXJ junior gold miners ETF down even more at a 13% decline. Gold prices have increased 3% over the same time period. The junior gold miners sector contains smaller capitalization companies which are small producers or mature exploration and development miners. Given the current environment of rising stock markets and good support for gold prices, the underperformance in the gold mining sector is not likely to last much longer as gold producers continue to deliver strong revenue growth and rising margins. Assuming that gold prices sustain or move higher from current levels, investors should begin to see value in this overly punished sector.

Higher gold prices not only translate into higher profits for production companies but also place a higher valuation on the in-ground assets of exploration and development companies whose place in the supply chain is growing increasingly important with the majors' reserves dwindling. Furthermore, higher stock valuations and profits for the gold mining production and development companies results in healthier balance sheets, higher stock currency, and increased management confidence which can all contribute to heightened acquisition and investment activity in exploration companies.

Source: statistics from World Gold Council.



Overview of Properties

The Company has five exploration and development properties in California, Nevada, and British Columbia. The main goal of the Company is to permit and reopen the Idaho-Maryland Mine and develop a mining operation with the potential to produce over 200,000 ounces of gold per year. Additionally, the Company has four other early to middle stage mineral exploration projects including the Buckskin Rawhide and Koegel Rawhide properties in Nevada and the Stewart and Rozan properties in British Columbia. The following is an overview of each of the properties, with particular emphasis on the I-M Project:

1) *Idaho-Maryland Project, CA*

- The I-M Project was historically the second largest gold mine in California, producing 2.4 million ounces of gold at a recovered grade of 0.43 ounces per ton (opt)
- The I-M Project deposit has current measured plus indicated resources of 472,000 ounces of gold, and inferred resources of 1,002,000 ounces (see page 14 for details)
- Represents a world class gold property with a potential resource target of 3 to 5 million ounces of gold, subject to additional exploration
- Emgold is completing an Environment Impact Report (EIR) to reopen the I-M Project with the goal of constructing a 2,400 ton per day underground gold mine with the potential to produce over 200,000 ounces of gold per year



The Idaho-Maryland Project is located on the edge of the City of Grass Valley, California, in the western foothills of the Sierra Nevada Mountains. The Idaho-Maryland Mine was originally discovered in 1851 and operated from 1862 until 1956. It was historically California's second largest producing underground gold mine, with total recorded gold production of 2.4 million ounces at an average recovered grade of 0.43 ounces per ton. Emgold Mining Corporation plans to permit, dewater, explore, redevelop, and reopen the Idaho-Maryland Mine as a modern, high grade, low cost per ounce underground gold producer.

Underground mines within a three mile radius of the Idaho-Maryland Mine produced 13 million ounces of gold from 1850 to the mid-1950's. Specifically, the historic Empire Mine, which was California's largest underground gold mine, is located adjacent to the Idaho-Maryland Mine. It produced 5.8 million ounces of gold from the years 1850 to 1956.

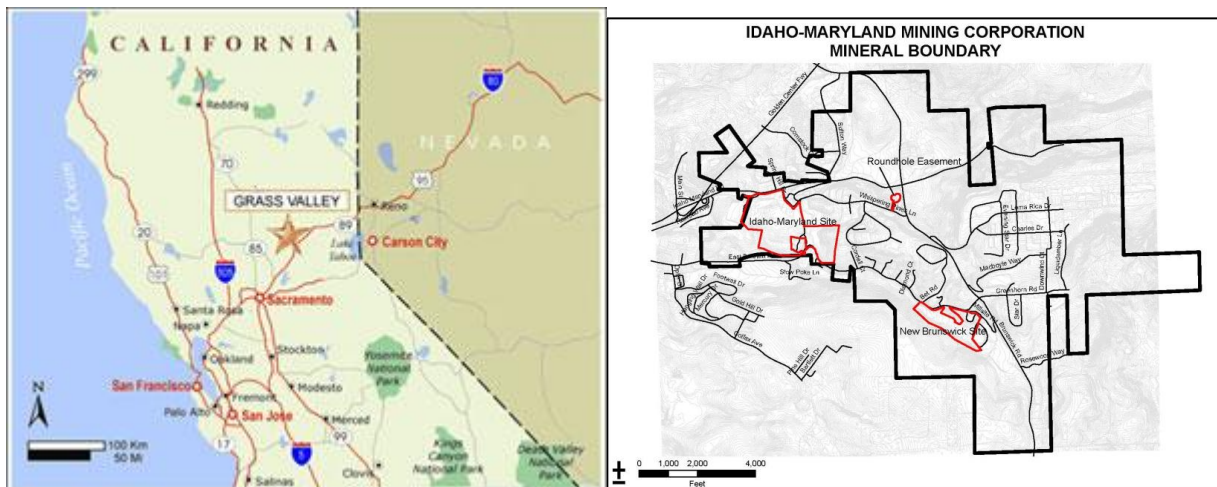


The Idaho-Maryland Mine currently has an NI 43-101 compliant measured and indicated resource of 472,000 ounces of gold consisting of 1.7 million tons at a grade of 0.28 opt and an inferred resource of 1,002,000 ounces of gold consisting of 2.6 million tons at a grade of 0.39 opt. The I-M Project represents a world class gold property and Emgold management believes the potential resource target at the mine is 3 to 5 million ounces of gold, subject to additional exploration.

Emgold is in the process of completing an Environmental Impact Report (EIR) for the I-M Project (expected in approximately 12 months, subject to financing), which will cover the dewatering, exploration, redevelopment, operation, and closure of the mine. After completion of the EIR and City approval of a mine use permit, Emgold can obtain the necessary ancillary permits and entitlements to reopen the mine. The project ultimately plans to construct a 2,400 tons per day gold mine, with potential gold production at these tonnage rates of over 200,000 ounces per year.

Location / Ownership

The I-M Project is located on the eastern edge of the City of Grass Valley, Nevada County, California in the western foothills of the Sierra Nevada mountain range. Grass Valley has a rich gold mining history and much of the tourism in the City today is based on a historic gold mining theme. Grass Valley is located about 60 miles northeast of the city of Sacramento.



Patented mineral rights consist of 2,800 acres, typically 200 feet or more below the surface, under a lease and option to purchase agreement with BETS Trust. Surface property rights consist of three properties, totaling 146 acres which act as portals to the subsurface rights. These properties are owned by Emgold or part of the BETS lease and option to purchase agreement. Roads, power, water, sewer, and other infrastructure exists to support exploration and production of the mine.

History

The Idaho-Maryland Mine has a long and successful history as a gold mine. Gold was first discovered on the Idaho-Maryland property and the original claim staked in 1851. The mine



ultimately became the second largest underground gold mine in California producing 2.4 million ounces of gold at a recovered grade of 0.43 opt from 1862 to 1956. The mine consists of 72 miles of tunnels with workings to a depth of 3,280 feet below the surface. Operating mines in the area shut down by 1956 due to the U.S. government fixing the price of gold to \$35 per ounces, rising labor and supply costs after World War 2, and loss of the Nevada County Narrow Gauge Railway. In total, underground mines within a three mile radius of the Idaho-Maryland Mine produced 13 million ounces of gold from 1850 to the mid-1950's.

The Idaho-Maryland mine is adjacent to the historic Empire-North Star Mine, which was the largest underground gold mine in California. The Empire-North Star produced 5.8 million ounces of gold from 1850 to 1956 and consists of 350 miles of tunnels, with workings to a depth of over 5,000 feet below the surface. It was Newmont Mining Corporation's first operating mine and mineral rights are still owned by Newmont. The mines of the Grass Valley District were considered to be some of the most advanced mines in the world in their day.

Emperor Gold Corporation (predecessor to Emgold) became involved in the property in 1993 and completed an EIR to dewater and explore the mine in 1996. In 1999, with a continuing decline in the price of gold, the Company temporarily abandoned the project until gold prices recovered. In 2002, with rising gold prices, Emgold re-negotiated the mineral and property rights to the I-M Project with the revised agreement with the BETS Group (prior owner of mineral rights of the project). By 2006, the Company completed exploration drilling, geographical modeling, and other technical work, including an NI 43-101 Technical Report.

Geology, Resources, and Exploration Potential

The I-M Project deposit is a structurally controlled mesothermal mineral deposit with numerous high grade vein structures showing both horizontal and vertical continuity. Historic information being modeled included 3,200 mine maps, 1,100 photographs, and monthly operating reports. To date, 215 gold resource blocks have been defined to delineate measured, indicated, and inferred resources. A total of 512 exploration targets have been identified for further exploration.

The Idaho-Maryland Mine currently has an NI 43-101 compliant measured resource of 212,000 ounces of gold (1.10 million tons at 0.21 opt), an indicated resource of 259,000 ounces of gold (0.57 million tons at 0.48 opt), and an inferred resource of 1,002,000 ounces of gold (2.57 million tons at 0.39 opt). Combined measured and indicated resources total 472,000 ounces of gold (1.67 million tons at 0.28 opt). The Idaho-Maryland deposit has significant exploration potential and is potentially a world class mineral deposit. Emgold management believes the exploration targets at the mine have potential for the delineation of 3 to 5 million ounces of gold. This estimate is based on estimated historic tons per vertical foot mined and historic grades, and projecting that potential tonnage at depth.



Idaho-Maryland Project Resources

Resource Type	Tons (millions)	Gold Grade (ounces per ton)	Gold Ounces
Measured	1.10	0.21	212,000
Indicated	0.57	0.48	259,000
Measured and Indicated	1.67	0.28	472,000
Inferred	2.57	0.39	1,002,000

Source: Company materials.

Note that the measured resources includes a low grade bulk tonnage area called the Waterman Zone that lowers the measured resource grade in comparison to indicated and inferred resources which are based solely on high grade vein areas..

For U.S. investors, this report uses the terms "measured resources" and "indicated resources." We advise U.S. investors that while such terms are recognized and permitted under Canadian regulations, the U.S. Securities and Exchange Commission does not recognize them. U.S. investors are cautioned not to assume that any part or all of the mineral deposits in these categories will ever be converted into reserves.

Also for U.S. investors, this report uses the terms "inferred resources." We advise U.S. investors that while such term is recognized and permitted under Canadian regulations, the U.S. Securities and Exchange Commission does not recognize it. "Inferred resources" 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 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 other economic studies. U.S. investors are cautioned not to assume that any part or all of an inferred resource exists, or is economically or legally mineable.

This report also contains information about adjacent properties on which the company has no right to explore or mine. Investors are cautioned that mineral deposits on adjacent properties are not indicative of mineral deposits on our properties.

Permitting

Mining projects in the U.S. are strictly regulated and have to go through a stringent permitting process. The permitting process is well defined in California and the process is not significantly different from the permitting process anywhere else in North America.

The permitting process for the I-M Project needs to be evaluated for potential environmental impacts and includes measures and alternatives to mitigate environmental impact. The process includes three primary steps: master environmental assessment, initial study, and EIR (environmental impact report) preparation. Emgold commenced permitting activities to reopen the mine in 2005, which will include dewatering, exploration, operation, and reclamation of the



mine. The City of Grass Valley was chosen to be the Lead Agency to permit the project. A Master Environmental Assessment and Initial Study for the project were completed by the City in 2006 and 2007, respectively. Preparation of an EIR by the City commenced in October 2007 and a Draft EIR was completed in early 2009. Subsequently, additional technical work was completed and a revised project application was completed and accepted by the City in May 2011. In November 2011, the city completed a bid process to select a new consultant to complete the EIR process. A Revised Draft EIR and Final EIR will now be prepared by the City with both tasks expected to take approximately 12 months, subject to Emgold financing activities to allow the work to commence. After completion of the Final EIR and certification of the EIR as complete, the City of Grass Valley will be required to grant (or not grant) a Conditional Use Permit for the mine. This permit will outline any conditions under which Emgold must operate. The I-M Project will also require a variety of local, state, and federal operating permits. These will be obtained once the Final EIR is complete and the Conditional Use Permit is issued for the mine.

Proposed Plan / Community

The proposed project includes a 2,400 ton per day underground gold mine and processing plant with potential to produce over 200,000 ounces of gold per year through a sustainable, smart growth, environmentally and socially responsible project. Upon completion of permitting and obtaining the necessary financing, Emgold would dewater the historic mine workings, excavate new underground accesses, and conduct exploration necessary to convert the existing mineral resources into mining reserves. The primary mining method will be cut-and-fill mining. Gold recovery will be by gravity, flotation, and cyanidation of the two concentrates producing gold dore with further refining offsite.

Emgold has an extensive community relations program in Grass Valley which has included public meetings on the project and presentations to stakeholder groups. The project has the support of many local organizations and businesses and local community concerns are being addressed through the permitting process.

In a 2006 independent survey commissioned by the City of Grass Valley City Counsel, 72% of residents were in favor of the project, 16% undecided, and 12% were opposed. The I-M Project will clean up a legacy mine site that has sat idle for over 50 years. The Project will include unique additions such as a Mining Education Center and Outdoor Mining Display Park to enhance tourist opportunities for the City of Grass Valley. At closure, the mine site will be redeveloped as a commercial business park bringing future opportunity to the City. The project will include significant tax revenue for the city and 600 high paying direct jobs as well as many indirect jobs for the community.

Mining Activity in California

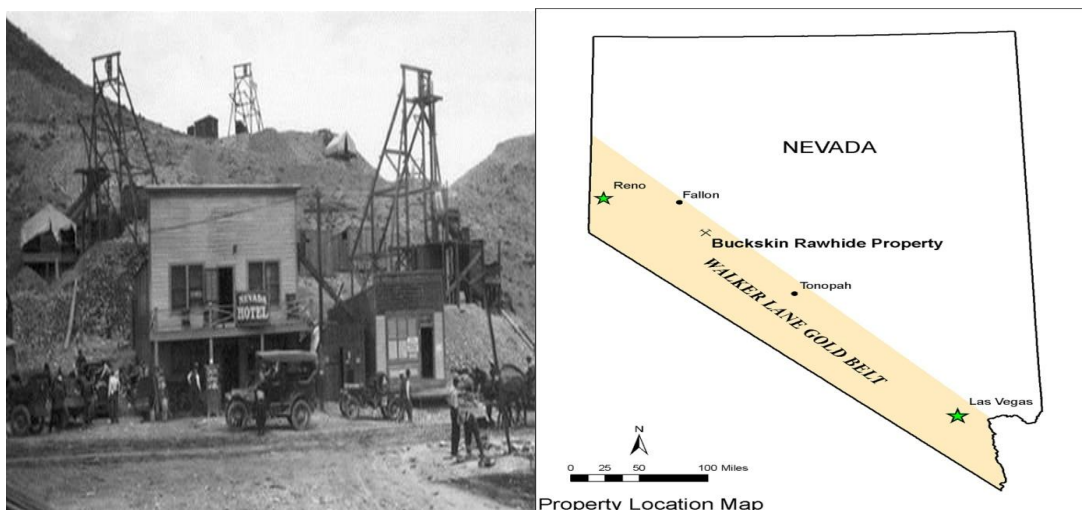
There has been a significant amount of interest in gold mining activity in California over the last several years exhibited through the reopening of old mines, increased exploration activities, and permitted plans to open mines. With two mines reopened and three mines permitted with plans to open, the current environment for mining approval in California is favorable.



- Atna Resources has reopened the Briggs Mine – expects to produce 213,000 ounces of gold with average annual production rate of 40,000 to 50,000 ounces per year
- New Gold has reopened the Mesquite Mine – 2.8mm ounces of gold reserves (2011 production of 158,000 ounces) and 5.5 million ounces of gold resources (measured and indicated)
- Sutter Gold Mining has permitted and plans to open the Lincoln Mine – 223,044 ounces of measured and indicated gold resources and 458,914 ounces of inferred gold resources
- Golden Queen Mining has permitted and plans to open the Soledad Mountain Mine – expected 936,332 ounces of gold with an average annual production rate of 75,000 ounces per year
- North Bay Minerals has permitted plans to open the Ruby Mine – 134,844 ounces of gold available
- Elgin Mining is exploring the Oro Cruz Project – inferred gold resources of 341,800 ounces
- San Juan Mining has commenced the process to reopen the San Juan Ridge Mine in Nevada County – targeting 244,000 ounces of gold

2) *Buckskin Rawhide Property, Nevada*

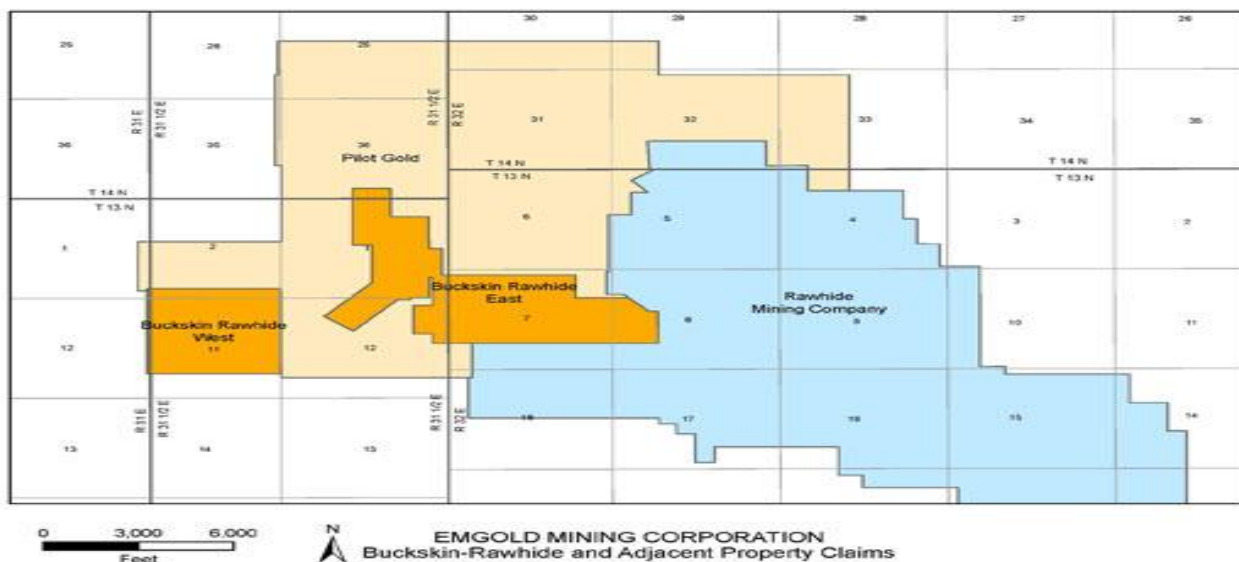
- The Buckskin Rawhide Property is an early stage gold/silver exploration property strategically located adjacent to the large and successful Rawhide Mine and Regent Property
 - The adjacent Rawhide Mine, formerly operated by Kennecott Minerals and now operated by Rawhide Mining Company, historically produced 1.5 million ounces of gold and 12.4 million ounces of silver
- The Property consists of 79 claims totaling 1,255 acres
- The property contains both high grade vein and bulk disseminated gold and silver exploration targets. To date, two main targets have been identified
- Black Eagle High Grade Vein Target – average grade of 0.3 opt gold (108 samples) including 7 samples with grades exceeding 1.0 opt gold
- Chicago Mountain Bulk Disseminated Target – average grade of samples were 0.040 opt gold (105 samples)
- Develop as standalone property or in synergistic partnership with adjacent properties





The Buckskin Rawhide claims are located approximately 40 miles southeast of Fallon, Nevada and they include Buckskin Rawhide East and Buckskin Rawhide West areas. The Buckskin Rawhide East area consists of 835 acres, including 52 unpatented lode claims under a lease and option to purchase agreement with Nevada Sunrise and 6 claims staked by Emgold. The Buckskin Rawhide West Area consists of 420 acres, including 21 unpatented load claims under a lease and option to purchase agreement with Jeremy Wire (individual). The claims are adjacent to the both the Rawhide Mine which is owned and operated by Rawhide Mining Company and Pilot Gold Corporation's Regent property.

Gold was originally discovered on the Buckskin Rawhide claims in 1906 which led to the formation of the Rawhide Mining District. A gold rush started in the area leading to the formation of the town of Rawhide. From 1908 to 1935, the mines in the Rawhide District produced 49,000 ounces of gold and 737,000 ounces of silver. Modern exploration in the area began in 1982. The majority of this exploration was done by Kennecott Minerals on the Rawhide, Regent, and Buckskin Rawhide areas. Kennecott discovered and developed the Rawhide Mine (adjacent to Buckskin Rawhide Property) which produced 1.5 million ounces of gold and 12.4 million ounces of silver between 1988 and 2009. Kennecott shut down mining operations at the Rawhide Mine in 2003 and in 2010 the property was sold to Rawhide Mining Company who continues to recover gold from the area. Rawhide Mining Company plans to bring Rawhide Mine back into production to take advantage of current high gold prices. Kennecott and others did exploration work on the Buckskin Rawhide Property with focus on low grade bulk disseminated gold targets. In total, Kennecott drilled 80 holes on the Buckskin Rawhide Property. 36 of those holes were along the Black Eagle Fault. 17 holes were drilled near Chicago Mountain, with 10 of these holes in the mineralized zone. While work done by Kennecott is not NI 43-101 compliant, it is useful for exploration purposes and helps identify target areas for Emgold's geologists.



The property is located in a volcanic-hosted, structurally controlled epithermal gold silver area 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 gold-silver mines of the Comstock Lode, Tonopah District, and Rawhide District. Potential exists for discovery of both high grade

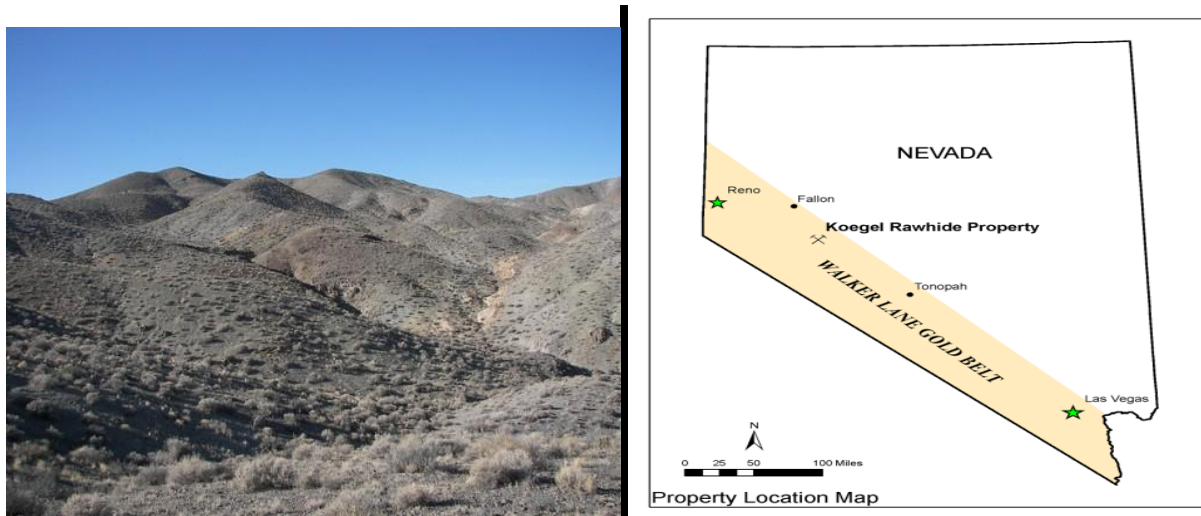


vein and bulk disseminated gold and silver mineralizations. While the proximity of Buckskin Rawhide's other properties doesn't guarantee exploration success, similar geology, structure, and the present of historic workings on the properties does increase the potential for discovery.

Emgold acquired Buckskin Rawhide Property in 2010 and expanded the property to its current size through staking and acquisition. The Company initially focused on the Black Eagle Fault area, discovering the Black Eagle High Grade Vein Target (360 feet long with widths less than 12 feet) through geological mapping and sampling. The Company then focused on the Chicago Mountain area, discovering the Chicago Mountain Build Disseminated Target (4,000 feet in length and 400 feet in width) from geologic mapping, historic sampling, and Emgold sampling. Emgold plans to further define these targets with additional sampling and drilling, subject to permitting and availability of funding. Potential exists to delineate a resource on the Property which could be developed as a standalone project or be developed synergistically with adjacent property owners.

3) *Koegel Rawhide Property, Nevada*

- The Koegel Rawhide Property is an early stage gold/silver exploration property located about 45 miles southeast of Fallon, Nevada and several miles south of the large and successful Rawhide Mine
- The Property consists of 36 claims totaling 720 acres
- Potential exists for both high grade vein and bulk disseminated gold and silver mineralization
- Historical sampling – average grade of 0.02 opt gold (464 samples) with the T-10 zone identified with an average grade of 0.52 opt gold (13 samples)
- Emgold sampling – 11 samples in the T-10 zone averaging 0.27 opt gold
- Develop as standalone property or in synergistic partnership with adjacent properties



The Koegel Rawhide Property is located approximately 45 miles southeast of Fallon, Nevada, in the Rawhide Mining District, and five miles southwest of the Rawhide Mine. The Property is



situated in the Koegel Hills, in the Walker Lane gold trend, six miles south of the Regent Property being explored by Pilot Gold Corporation and four miles south of Emgold's Buckskin Rawhide Property. The geology and mineralization of the Property is similar to the Rawhide, Regent, and Buckskin Rawhide properties.

The Koegel Rawhide Property consists of 36 unpatented lode mining claims totaling 720 acres. 19 of the 36 unpatented mining claims, totaling 380 acres, are currently under a lease and option to purchase agreement with Jeremy Wire (individual). The other 17 unpatented mining claims, totaling 340 acres, were recently staked by Emgold.

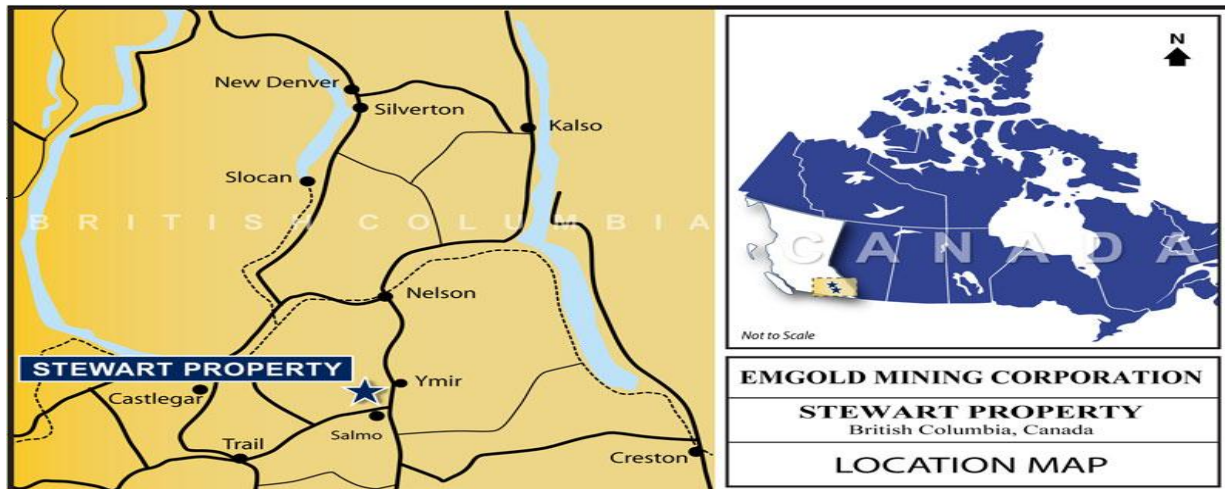
To date, exploration on the Property has consisted of grab and rock chip samples taken by former owners or by Emgold. 464 historic samples yielded an average grade of 0.02 opt gold with 13 samples in the T-10 zone with an average grade of 0.52 gold. There were also 14 Emgold samples with an average grade of 0.21 opt gold including 11 samples in the T-10 zone averaging 0.27 opt gold. Exploration targets on the Property include high grade vein and bulk disseminated gold and silver mineralization. It is Emgold's intent to continue exploration with the goal of ultimately developing an NI 43-101 compliant mineral resource.

Koegel Rawhide is a favorable exploration property for Emgold because mineralization is present and because the geology and mineral deposition is similar to that found at the large and successful nearby Rawhide Mine. Potential exists to develop the Koegel Rawhide Property as a standalone gold/silver exploration property or to consider a strategy to develop the Property in combination with the nearby Rawhide Mine, Regent, and/or Buckskin Rawhide properties with the goal of creating a larger combined resource.

4) *Stewart Property, British Columbia*

- The Stewart Property is a middle stage poly-metallic property located 7 kilometers north of Salmo, in the Nelson Mining District, British Columbia with 28 claims totaling 14,300 acres
 - Adjacent Kena Property has a reported NI 43-101 compliant gold resource of over 541,000 measured and indicated ounces (see Sultan Mineral's website).
- Good prospects for molybdenum, tungsten, gold, silver, rhenium, and other minerals
- Four main exploration targets have been identified: Stewart Moly Zone, Arrow Tungsten Zone, Craigtown Creek Gold Zone, Free Silver Zone
- Drilling to date has focused mainly on the Stewart Moly Zone, where both high and low grade molybdenum intercepts have been found
- Emgold is seeking opportunities to advance its Stewart Property through a lease, joint venture or other means

The Stewart Property consists of 28 contiguous mineral claims covering 14,300 acres (5,789 hectares). The property is 100% owned by Emgold, subject to an underlying royalty agreement. It is located west of Altair Ventures/Sultan Minerals Kena Property and Duncastle Gold's Yankee Dundee Property. The Yankee Dundee property contains a number of historic mines including the Yankee Girl which operated between 1907 and 1951. The Kena Property has a reported NI 43-101 compliant gold resource of over 541,000 measured and indicated ounces (25.8 million tons at 0.02 ounces per ton gold).



Exploration activity on the property dates back to the 1800's. Work during the 1940's and 1960's focused on the base metals and tungsten. In the 1970's and 1980's, exploration focused on molybdenum, with work done by Union Carbide, Asamera Oil Corporation, Shell Canada Resources, Cominco Limited, and Selco. Shell discovered the Stewart Moly zone in 1979. Together, Shell and Selco completed 23 diamond drill holes on the property in the 1980's. In the early 1990's, exploration on the property turned to gold, with work being done by Lacana Mining Corporation, Minova Incorporated, Cameco Corporation, and Orvana Minerals.

Emgold acquired the Property in 2001 and completed soil samplings to verify historic work. In 2003, the Company completed geophysics work and in 2004, Emgold completed soil sampling and trenching in the Craigtown Creek Gold Zone and Free Silver Zone. Emgold drilled five core holes in 2005 to test the Stewart Moly Zone previously identified by Shell. In 2007, Emgold drilled both the Stewart Moly Zone and Arrow Tungsten Zone, completing a total of 30 diamond drill holes. In 2011, Emgold further evaluated the Stewart Moly Zone and completed another 19 diamond drill holes.

The Stewart Property is a poly-metallic property that is part of a regional north-south trend with widespread and varied mineralization. There is potential for the discovery of economic molybdenum, tungsten, gold, and silver deposits. Molybdenum is used in the creation of steel alloys. The Stewart Moly Zone has historically been the focus of most of the exploration on the property. Work to date on the zone has identified both high and low grade molybdenum mineralization. Potential exists to define molybdenum resources from existing drilling. Potential for byproducts metals will be further evaluated. Exploration of other known zones is warranted, including the Craigtown Creek Gold Zone and Free Silver Zone due to high gold and silver prices.

Although many reconnaissance exploration programs have been conducted at Stewart over the years, most of the work has been conducted near-surface and would be considered middle stage exploration. The various exploration programs have focused on specific metals and/or types of deposits, and in certain locations, so it appears that there has not been an in-depth search for one metal type over all the claims. Emgold believes that the Stewart Property has

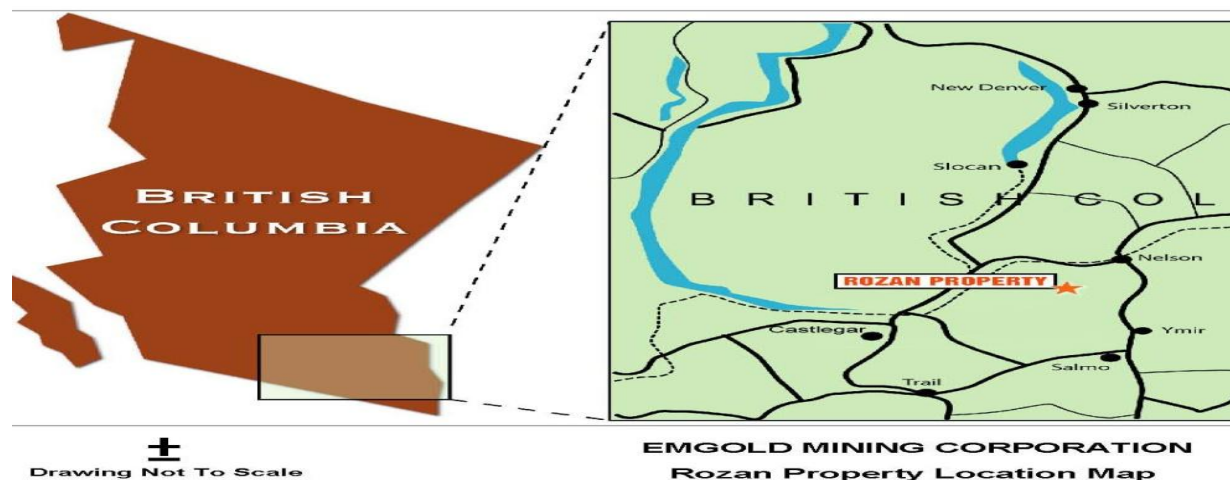


very good potential to host a large mineral deposit, but a large-scale exploration program will be required to adequately make this assessment. This program would require deep drilling to test for mineralization at depths greater than previously assessed, and might require more geochemistry or geophysics to define exploration targets. For these reasons, Emgold is seeking opportunities to advance its Stewart Property through a lease, joint venture or other means. Emgold is encouraged by the results of prior exploration but feels that future exploration should consider the whole property.

5) **Rozan Property, British Columbia**

- The Rozan Property is an early stage polymetallic exploration property located about 10 kilometers southwest of Nelson, British Columbia with 32 claims totaling 4,817 acres
- Located directly south of Valterra's Star and Toughnut properties and west of Sultan Minerals/Altair Ventures Kena property
 - Adjacent Kena Property has a reported NI 43-101 compliant gold resource of over 541,000 measured and indicated ounces (see Sultan Minerals's website).
- Potential exists for the discovery of high grade gold mineralization and for low grade bulk disseminated gold mineralization
- Potential also exists for other minerals including tungsten, molybdenum, copper, silver, lead, and zinc
- Five high quality targets have been identified for further exploration
- Develop as standalone property or in synergistic partnership with adjacent properties

The Rozan property is located about 10 kilometers southwest of Nelson, British Columbia and consists of 32 mineral claims covering 4,817 acres (1,950 hectares) and is 100% owned by Emgold, subject to an underlying royalty agreement.





The claims were originally staked in 1928 by Bill Rozan who worked with a small high grade mining operation until 1972. Historic exploration was completed in the 1980's and 1990's by the Dennys, Patrick Resources Corporation, Rex Siler Mines, Lacana Mining Corporation, Hiawatha Resource, Yukon Revenue Mines, and others. Exploration consisted primarily of geological mapping, soil and rock chip sampling, trenching, and geophysics programs. Two main veins were identified as well as stockwork veins in granodiorite. In 2000, Emgold acquired the property and drill tested the main vein with 2 diamond drill holes. One hole returned 1.45 grams per ton and the other hole returned 60.73 grams per ton gold. In 2003, Emgold conducted a geophysics survey which identified 167 anomalies, with 88 being traceable to discrete bedrock sources often indicative of conductive sulphides and several weak conductors were located. In 2004, Emgold completed 333 soil samples and 9 rock samples and conducted geologic mapping.

In 2007, a third diamond drill hole was drilled to test and extend the Main Rozan Vein. The hole appeared to miss the target. In 2011, the property was optioned by Valterra Resources. Valterra completed soil sampling, geologic mapping, and reinterpreted the geophysics work previously done. Valterra compiled a database of 1,637 samples taken on the property. Gold values of these samples ranged from 0.300 to 2,625 parts per billion. Valterra identified 10 gold anomalies for additional work. In 2012, the Property was returned to Emgold when Valterra was unable to meet its work commitments. Emgold plans to proceed with further exploration on the property in 2012, based on the targets outlined by Emgold and Valterra's work to date.

Potential exists for the discovery of high grade gold mineralization and for low grade bulk disseminated gold mineralization, as well as tungsten, molybdenum, copper, silver, lead, and zinc. Ten targets have been identified for further work based on geophysics, geological mapping, and soil sampling. Of these, five targets will be priorities for work. Potential exists to develop a gold resource as a standalone property with additional exploration or synergistic development of the property with other adjacent properties to create a larger regional exploration property, as well as discovery of poly-metallic deposits on the property.



Financials

Income Statement / Cash Flows

<u>Income Statement (\$US)</u>	<u>12 Months Ending Dec. 31, 2010</u>	<u>12 Months Ending Dec. 31, 2011</u>
Expenses		
Exploration and evaluation costs	670,491	1,307,140
Other expenses	402,596	1,030,920
Total expenses	1,073,087	2,338,060
Loss before taxes	(1,073,087)	(2,338,060)
Income taxes	0	0
Net loss	(1,073,087)	(2,338,060)
Net loss per share	(0.06)	(0.05)
<u>Cash Flow Statement (\$US)</u>		
Cash flow from operating activities	(1,867,587)	(1,963,556)
Cash flow from Investing activities	3,927	1,000
Cash flow from financing activities	2,777,200	1,963,556
Increase in cash	913,540	47,607
Cash and cash equivalents, beginning of year	3,955	917,495
Cash and cash equivalents, end of year	917,495	965,102

Source: Company materials

The Company's properties are early, middle, and advanced stage exploration properties which have not commenced production and therefore do not generate any revenues. The majority of operating expenses are related to exploration, permitting, and evaluation costs for its properties. Exploration, permitting, and evaluation costs in 2011 increased 99% over the comparable prior year period from \$670,491 to \$1,307,140. This large increase in exploration costs was mainly caused by a 16% increase in costs for the I-M Project and exploration and drilling activities on the Stewart Property in British Columbia, which were not conducted in 2010. Total operating expenses for the 2011 increased 118% over the comparable prior year period from \$1,073,087 to \$2,338,060. Other expenses in 2010 were lower than 2011 due to one time events including a gain on settlement of conversion of preference shares to common shares, a gain on settlement of debt, a gain on sales of property and equipment, and a recovery of a bad expense. This decreased other expenses in 2010 by \$621,076.



Balance Sheet

<u>Assets (\$US)</u>	<u>12 Months Ending Dec. 31, 2010</u>	<u>12 Months Ending Dec. 31, 2011</u>
Current Assets		
Cash and equivalents	917,495	962,102
Other current assets	155,770	153,722
Total current assets	1,073,265	1,115,824
Other assets	12,943	11,932
Marketable securities	0	17,071
Property and equipment	32,655	18,176
Mineral property interests	1,087,420	1,035,163
Total Assets (\$US)	2,207,283	2,198,166
<u>Liabilities (\$US)</u>		
Current Liabilities		
Accounts payable, due related parties, leases	545,512	463,894
Other Liabilities (including warrants)	116,195	1,079,253
Total Liabilities	661,707	1,543,237
Equity	1,545,576	654,929
Total Liabilities and Equity	2,207,283	2,198,166

Source: Company materials

In 2010 the company raised approximately \$2.8 million in cash through private placements of stock to help fund exploration costs and other cash flow needs of the Company. The company also created gains from the settlement of conversion of preference shares to common shares, a gain on settlement of debt, a gain on sales of property and equipment, and a recovery of a bad expense. These gains offset expenses by \$621,076. In 2012, the Company raised 2.0 million in cash through private placements of stock to help fund exploration costs and other cash flow needs of the company. Making the assumption that operating and investing cash flow needs of the Company stay flat at trailing 12 months figures, the Company would need at least \$2.0 million in funding in 2012. This means the company is likely to raise at least an additional \$1.0 million in 2012, based on its cash position at year end 2011. This figure is likely to be higher due to an increase in exploration, permitting, and other operating costs as the company advances its projects. Capital requirements could be reduced if leases, joint ventures, or other business arrangements were completed on the company's various properties. .



Mineral Property Interests

Mineral property acquisitions costs are capitalized and deferred until the mineral property is placed into production, sold, allowed to lapse, or is determined to be impaired.

<u>Mineral Property Acquisition Costs (\$US)</u>	<u>12 Months Ending Dec. 31, 2010</u>	<u>12 Months Ending Dec. 31, 2011</u>
Idaho-Maryland	747,219	747,219
Buckskin Rawhide	25,233	39,052
Stewart	199,667	199,667
Rozan	115,301	49,225
Total	1,035,163,	1,087,420

Source: Company materials



Valuation

Given the early stage nature of exploration mining companies it is difficult to apply most standard valuation methodologies. Factors affecting valuation that can vary widely among exploration mines include mix of metals mined, location and geology, stage of exploration/permitting, quality of potential deposits, experience of management team, degree of prior mining in the area, regulatory environment, etc. We will use the Enterprise Value per Unit of Metal model to determine a valuation for the Company with assumptions from management as a starting point since comparable mine valuation data is not readily available and less relevant due to the factors mentioned above. This analysis only focuses on the primary I-M Project which is more mature and has resource data from a NI 43-101 technical report.

The I-M Project has measured and indicated gold resources of 472,000 ounces and inferred resources of 1,002,000 ounces. Management assumes the following price per ounce value for gold resources: \$60-80 per ounce for measured and indicated resources and \$20-30 per ounce of inferred resources. Applying these price per ounce values to the Company's resource figures would yield a market capitalization range of \$48.4 – \$67.8 million and resulting price per share of \$0.82 – \$1.16 or over 8 times the current share price.

Our analysis applies a discount to management's value per ounce of gold resource assumptions of 66% to adjust to take a conservative approach for the many risks associated with such an early stage exploration company including operational risk, procedural/regulatory risks, funding risks, disappointing deposit finds, timing, gold pricing, and others. Applying this discount would yield a price per ounce of \$20 - \$27 for measured and indicated gold resources and \$7 - \$10 for inferred gold resources. Valuing the Company's gold resources with these discounted values yields a market capitalization range of \$16.1 – \$22.6 million and resulting price per share of \$0.27 – \$0.38. The mid-point of this range is a target price of \$0.33 which is over 3 times the current share price and over 2 times the recent high of \$0.15.

Analysis of 10 other randomly selected junior exploration and production companies shows a wide variation in the market capitalization of the companies shares per measured, indicated, and inferred ounces the companies have in their combined projects. Company value ranged from \$12 per ounce to as high as \$166 per ounce, with the average value of \$74 per ounce. In comparison, Engold's value was just \$4 per ounce. This supports the conservative market evaluation that Engold should be trading at least 3 times the value of its current share price, with considerable upside as the project moves past the permitting stage into production.

This analysis does not capture any potential value in the Company's other four exploration properties either as standalone entities, in partnership with adjacent mines, or through a lease/joint venture/sale.

Note: The current share price of the company indicates price per ounce values of \$7 per measured and indicated ounce and \$2 per inferred ounce (assumes a 3:1 ratio of measured and indicated to inferred), or \$4 per combined measured, indicated and inferred ounce.



Valuation of Emgold Versus Random Peer Group Companies

Company	Sym	Exch	Producer	Shares Outstanding (millions)	Share Price (\$CDN)	Market Cap (\$CDN) (millions)	Resource Ounces (millions)	Market Cap per Ounce (\$CDN/oz)	Market Cap per Ounce (\$US/oz)
Premier Gold	PG	TSX	No	137.4	4.95	680.13	4.23	160.79	160.34
Lakeshore Gold	LSG	TSX	Yes	410.2	0.94	385.59	6.90	55.88	55.73
Endeavour Mining	EDV	TSX	Yes	244.8	2.16	528.77	5.23	101.10	100.82
Luna Gold	LGC	TSXV	Yes	104.6	3.11	325.31	4.55	71.50	71.30
Klondex Mines	KDX	TSX	No	46.5	2.03	94.40	2.11	44.74	44.61
American Bonanza	BZA	TSX	No	198.7	0.39	76.50	0.46	166.30	165.84
North Country Gold	NCG	TSXV	No	111.2	0.40	43.92	1.51	29.09	29.01
Tyhee Development	TDC	TSXV	No	325.0	0.09	27.63	2.22	12.44	12.41
Alexis Minerals	AMC	TSX	Yes	593.6	0.04	23.74	1.38	17.21	17.16
Canarc Resources	CCM	TSX	No	94.1	0.16	15.06	1.27	11.86	11.82
Combined						2201.04	29.86	73.71	73.51
Emgold Mining	EMR	TSXV	No	58.8	0.10	5.88	1.47	3.99	3.98

Source: Company websites, Toronto stock exchange website, share prices as of April 10, 2012

Summary of Emgold's Properties

Property	Local	Acres	Claims	Historic Mine Prod. (gold)	Historic Mine Prod. (silver)	District Mine Prod. (gold)	District Mine Prod. (silver)	Target Metals
Idaho-Maryland	CA	2,946		2.4	N/A	13		Gold
Buckskin Rawhide	NV	1,255	79	Unknown	Unknown	1.5	12.4	Gold and silver
Koegel Rawhide	NV	720	36	None	None	1.5	12.4	Gold and silver
Stewart Property	B.C.	14,300	28	None	None	Unknown	Unknown	Gold, silver, moly, tungsten
Rozan Property	B.C.	4,817	32	Unknown	None	Unknown	Unknown	Gold, silver, moly, tungsten

Production in million of ounces



Management Team

David Watkinson, B.Sc., P.Eng. (President, CEO, and Director)

David Watkinson brings over 20 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.

Sargent Berner, B.A., LL.B, LL.M (Non-executive Chairman of the Board)

Sargent Berner practiced corporate, securities, and natural resources law as a partner in the Vancouver law firm of DuMoulin Black from 1976 until 2004, after eight years as a full time faculty member of the University of British Columbia Law School. Mr. Berner is a graduate of the University of British Columbia where he received his B.A. in 1963 and his LL.B. in 1966. He also received the degree of Master of Laws from the London School of Economics, London, England in 1967. Mr. Berner is a director of a number of other companies trading on the TSX Venture Exchange, the TSX, and the American Stock Exchange.

Kenneth Yurichuk, B. Comm, CA (Chief Financial Officer, Director)

Kenneth Yurichuk is a Chartered Accountant and senior partner in the public accounting firm Bobot & Yurichuk LLP, Chartered Accountants, Toronto. Mr. Yurichuk has been in public practice for over 30 years and has served as both director and officer of private and publicly-traded corporations involved in a wide range of businesses including mining, real estate development, investment and manufacturing. In addition Mr. Yurichuk is a director of Mavrix Fund Management Inc. and served as a director and officer of the General Partners for several Contrarian Resource Fund Limited Partnerships and Mavrix Fund Limited Partnerships. Mr. Yurichuk holds a Bachelor of Commerce degree as well as the CA designation.



William Witte, B.Sc., P. Eng. (Chair Environment, Health and Safety Committee, Director)

Bill Witte brings more than 27 years of mining, engineering, business, and entrepreneurial experience to Emgold Mining Corporation. 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 over 200 mining and technology projects around the world and the successful development of numerous profitable mining ventures. He holds degrees in both Civil (University of Nevada, Reno 1976) and Mechanical Engineering (University of Arizona 1978), and he is a registered Professional Engineer in the Province of British Columbia.

**Stephen J. Wilkinson, B.Sc., M.Sc., M.B.A.
(Chairman of the Audit Committee and Corp. Governance, Independent Director)**

Stephen Wilkinson is President and Chief Executive Officer of ValGold Resources Ltd. and Chairman of NovaDX Ventures Corp., a publicly traded junior merchant banking company specializing in raising capital and providing advisory services to early-stage junior resource companies. Mr. Wilkinson was President, Chief Executive Officer and Director of Northern Orion Explorations Ltd. during its successful restructuring over the period from 1999 to 2002 and from 1996 to 1999, he was the Vancouver based mining analyst for RBC Dominion Securities Inc., responsible for small capitalization and gold and base metal companies. Mr. Wilkinson holds an MBA from Clarkson University, Potsdam New York, a M.Sc.(Geology) from Carleton University and B.Sc. (Geology) from the University of Western Ontario.



Forward-Looking Statement and Disclaimer/Disclosure:

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