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INSTRUCTIONS

This report must be filed by Exchange Issuers within 60 days of the end of their first, second and third fiscal quarters and within 140 days of their year end. "Exchange Issuer" means an issuer whose securities are listed and posted for trading on the Canadian Venture Exchange and are not listed and posted on any other exchange or quoted on a trading or quotation system in Canada. Three schedules must be attached to this report as follows:

SCHEDULE A: FINANCIAL STATEMENTS

Financial statements prepared in accordance with generally accepted accounting principles are required as follows:

For the *first, second and third financial quarters*:

Interim financial statements prepared in accordance with section 1751 of the CICA Handbook, including the following: balance sheet, income statement, statement of retained earnings, cash flow statement, and notes to the financial statements.

The periods required to be presented, consistent with CICA Handbook section 1751, are as follows:

- a balance sheet as of the end of the current interim period and a comparative balance sheet as of the end of the immediately preceding fiscal year;
- a statement of retained earnings cumulatively for the current fiscal year-to-date, with a comparative statement for the comparable year-to-date period of the immediately preceding fiscal year; and
- income statements and cash flow statements for the current interim period and cumulatively for the current fiscal year-to-date, with comparative statements for the comparable interim periods (current and year-to-date) of the immediately preceding fiscal year.

For the *financial year end*:

Annual audited financial statements prepared on a comparative basis.

Exchange Issuers with a fiscal year of less than or greater than 12 months should refer to National Policy No. 51 *Changes in the Ending Date of a Financial Year and in Reporting Status* for guidance.

Issuers in the development stage are directed to the guidance provided in CICA Accounting Guideline AcG-11 *Enterprises in the Development Stage* that states "enterprises in the development stage are encouraged to disclose in the income statement and in the cash flow statement cumulative balances from the inception of the development stage."

Issuers that have been involved in a reverse take-over should refer to the guidance found in BCIN #52-701 (previously NIN #91/21) with respect to such transactions including the requirement or disclosure of supplementary information regarding the legal parent's prior financial operations.

SCHEDULE B: SUPPLEMENTARY INFORMATION

The supplementary information set out below must be provided when not included in Schedule A.

1. *Analysis of expenses and deferred costs*

Provide a breakdown of amounts presented in the financial statements for the following: deferred or expensed exploration, expensed research, deferred or expensed development, cost of sales, marketing expenses, general and administrative expenses, and any other material expenses reported in the income statement and any other material deferred costs presented in the balance sheet.

The breakdown should separately present, at a minimum, each component that comprises 20% or more of the total amount for a material classification presented on the face of the financial statements. All other components of a material

classification may be grouped together under the heading "miscellaneous" or "other" in the cost breakdown; the total for "miscellaneous" should not exceed 30% of the total for a material classification.

Breakdowns are required for the year-to-date period only. Breakdowns are not required for comparative periods.

Issuers in the development stage are reminded that Section 3(9)(b) of the BC Securities Commission's Rules requires a schedule or note to the financial statements containing an analysis of each of exploration, research, development and administration costs, whether expensed or deferred and if the issuer is a natural resource issuer, that analysis for each material property. Because the analysis required by Rule 3(9)(b) must be included in the financial statements, the information does not have to be repeated in Schedule B. Consistent with CICA Accounting Guidelines AcG-11, staff considers an issuer to be in the development stage when it is devoting substantially all of its efforts to establishing a new business and planned principal operations have not commenced. Further, in staff's view, the lack of significant revenues for the past two years normally indicates that an issuer is in the development stage.

2. *Related party transactions*

Provide disclosure of all related party transactions as specified in Section 3840 of the CICA Handbook.

3. *Summary of securities issued and options granted during the period*

Provide the following information for the year-to-date period:

- (a) summary of securities issued during the period, including date of issue, type of security (common shares, convertible debentures, etc.), type of issue (private placement, public offering, exercise of warrants, etc.) number, price, total proceeds, type of consideration (cash, property, etc.) and commission paid, and
- (b) summary of options granted during the period, including date, number, name of optionee for those options granted to insiders, generic description of other optionees (e.g. "employees"), exercise price and expiry date.

4. *Summary of securities as at the end of the reporting period*

Provide the following information as at the end of the reporting period:

- (a) description of authorized share capital including number of shares for each class, dividend rates on preferred shares and whether or not cumulative, redemption and conversion provisions,
- (b) number and recorded value for shares issued and outstanding,
- (c) description of options, warrants and convertible securities outstanding, including number or amount, exercise or conversion price and expiry date, and any recorded value, and
- (d) number of shares in each class of shares subject to escrow or pooling agreements.

5. *List the names of the directors and officers as at the date this report is signed and filed.*

SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS

1. *General Instructions*

- (a) Management discussion and analysis provides management with the opportunity to discuss an issuer's business, current financial results, position and future prospects.

- (b) Focus the discussion on material information, including liquidity, capital resources, known trends, commitments, events, risks or uncertainties, that is reasonably expected to have a material effect on the issuer.
- (c) For an issuer with active ongoing operations the discussion should be substantive (e.g. generally two to four pages in length); for an issuer with limited operations the discussion may not be as extensive (e.g. one page).
- (d) The discussion must be factual, balanced and non-promotional.
- (e) Where the discussion relates to a mineral project, as defined in National Instrument 43-101 "Standards of Disclosure for Mineral Projects," the disclosure must comply with NI 43-101.
2. **Description of Business**
Provide a brief description of the issuer's business. Where an issuer is inactive and has no business, disclose these facts together with a description of any plans to reactivate and the business the issuer intends to pursue.
3. **Discussion of Operations and Financial Condition**
Provide a meaningful discussion and analysis of the issuer's operations for the current year-to-date period presented in the financial statements. Discuss the issuer's financial condition as at the date of the most recent balance sheet presented in the financial statements.
- The following is a list of items that should be addressed in management's discussion and analysis of the issuer's operations and financial condition. This is not intended to be an exhaustive list of the relevant items.
- (a) expenditures included in the analysis of expenses and deferred costs required under Securities Rule 3(9)(b) and Schedule B;
- (b) acquisition or abandonment of resource properties material to the issuer including material terms of any acquisition or disposition;
- (c) acquisition or disposition of other material capital assets including material terms of the acquisition, or disposition;
- (d) material write-off or write-down of assets;
- (e) transactions with related parties, disclosed in Schedule B or the notes to the financial statements;
- (f) material contracts or commitments;
- (g) material variances between the issuer's financial results and information previously disclosed by the issuer, (for example if the issuer does not achieve revenue and profit estimates previous released, discuss this fact and the reasons for the variance);
- (h) material terms of any existing third party investor relations arrangements or contracts including:
- the name of the person;
 - the amount paid during the reporting period; and
 - the services provided during the reporting period;
- (i) legal proceedings;
- (j) contingent liabilities;
- (k) default under debt or other contractual obligations;
- (l) a breach of corporate, securities or other laws, or of an issuer's listing agreement with the Canadian Venture Exchange including the nature of the breach, potential ramifications and what is being done to remedy it;
- (m) regulatory approval requirements for a significant transaction including whether the issuer has obtained the required approval or has applied for the approval;
- (n) management changes; or
- (o) special resolutions passed by shareholders.
4. **Subsequent Events**
Discuss any significant events and transactions that occurred during the time from the date of the financial statements up to the date that this report is certified by the issuer.
5. **Financings, Principal Purposes and Milestones**
- (a) In a tabular format, compare any previously disclosed principal purposes from a financing to actual expenditures made during the reporting period.
- (b) Explain any material variances and the impact, if any, on the issuer's ability to achieve previously disclosed objectives and milestones.
6. **Liquidity and Solvency**
Discuss the issuer's working capital position and its ability to meet its ongoing obligations as they become due.

How to File Under National Instrument 13-101 – System for Electronic Document Analysis and Retrieval (SEDAR)

BC Form 51-901 Quarterly and Year End Reports are filed under Category of Filing: Continuous Disclosure and Filing Type: Interim Financial Statements or Annual Financial Statements. Schedule A (Financial Statements) is filed under Document Type: Interim Financial Statements or Annual Financial Statements. Schedule B (Supplementary Information) and Schedule C (management Discussion) are filed under Document Type: BC Form 51-901 (previously Document Type Form 61(BC)).

Meeting the Form Requirements

BC Form 510-901 consists of three parts: Instructions to schedules A, B and C, issuer details and a certificate. To comply with National instrument 132-101 it is not necessary to reproduce the instructions that are set out in BC Form 51-901. A cover page to the schedules titled BC Form 51-901 that includes the issuer details and certificate is all that is required to meet the BC Form 51-901 requirements. The form of the certificate should be amended so as to refer to one or two of the three schedules required to complete the report.

ISSUER DETAILS

NAME OF ISSUER		FOR QUARTER ENDED		DATE OF REPORT	
Emgold Mining Corporation.		December 31, 2001		YY	MM DD
Suite 1400 – 570 Granville Street				2002	May 17
ISSUER ADDRESS					
Suite 1400 – 570 Granville Street					
CITY	PROVINCE	POSTAL CODE	ISSUER FAX NO.	ISSUER TELEPHONE NO.	
Vancouver	BC	V6C 3P1	604-687-4212	604-687-4622	
CONTACT NAME		CONTACT POSITION		CONTACT TELEPHONE NO.	
Shannon Ross		Secretary		604-687-4622	
CONTACT EMAIL ADDRESS		WEB SITE ADDRESS			
sross@langmining.com		www.emgoldmining.com			

CERTIFICATE

The three schedules required to complete this Report are attached and the disclosure contained therein has been approved by the Board of Directors. A copy of this Report will be provided to any shareholder who requests it.

DIRECTOR'S SIGNATURE	PRINT FULL NAME	DATE SIGNED	
"FRANK A. LANG"	Frank A. Lang	YY	MM DD
		2002	MAY 17
DIRECTOR'S SIGNATURE	PRINT FULL NAME	DATE SIGNED	
"WILLIAM J. WITTE"	William J. Witte	YY	MM DD
		2002	MAY 17

EMGOLD MINING CORPORATION
(an exploration stage company)
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2001 and 2000

Responsibility of Management

The management of Emgold Mining Corporation is responsible for the preparation as well as the integrity of the accompanying consolidated financial statements and all related financial data contained in the annual report. The consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada, and necessarily include amounts that represent the best estimates and judgements of management. The Company has developed and maintains a system of internal accounting control designed to provide reasonable assurance that assets are safe-guarded and that transactions are executed in accordance with management's authorizations.

The Company's auditors, PricewaterhouseCoopers LLP, have examined the consolidated financial statements and they have issued their report thereon.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board exercised its responsibilities through the Audit Committee comprised of three Directors, one of whom is an officer of the Company. The Committee meets from time to time with management and annually with the Company's auditors to review the financial statement and matters relating to the audit. The Company's auditors have full and free access to the Audit Committee. The Audit Committee reports its findings to the Board of Directors for consideration in approving the consolidated financial statements for issuance to the shareholders.

“Shannon Ross”

Shannon M. Ross, CA
Chief Financial Officer and Secretary

Vancouver, British Columbia
April 19, 2002

Auditors' Report

To the Shareholders of Emgold Mining Corporation

We have audited the consolidated balance sheets of **Emgold Mining Corporation** (an exploration stage company) as at December 31, 2001 and 2000, and the consolidated statements of operations and deficit and cash flows for each of the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2001 and 2000 and the results of its operations and its cash flows for each of the years then ended, in accordance with Canadian generally accepted accounting principles. As required by the Company Act (British Columbia), we report that, in our opinion, these principles have been applied on a consistent basis.

“PricewaterhouseCoopers LLP”

Chartered Accountants

Vancouver, Canada

April 19, 2002

EMGOLD MINING CORPORATION

(an exploration stage company)

Consolidated Balance Sheets

	December 31, 2001	December 31, 2000
Assets		
Current assets		
Cash and cash equivalents	\$ 7,128	\$ 14,084
Accounts receivable	959	5,553
	8,087	19,637
Reclamation bond	3,000	3,000
Mineral property interests (note 3)	147,459	132,504
Equipment (note 4)	--	76,678
	\$ 158,546	\$ 231,819
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 56,495	\$ 375,199
Due to related parties (note 7)	871,666	646,560
Promissory notes (note 5)	459,894	426,562
	1,388,055	1,448,321
Shareholders' Deficiency		
Share capital (note 6)	17,151,797	17,146,797
Deficit	(18,381,306)	(18,363,299)
	(1,229,509)	(1,216,502)
	\$ 158,546	\$ 231,819

Going concern assumption (note 1)

Subsequent event (note 11)

See accompanying notes to consolidated financial statements.

Approved by the Board

"Frank A. Lang"
Frank A. Lang
Director

"William J. Witte"
William J. Witte
Director

EMGOLD MINING CORPORATION

(an exploration stage company)

Consolidated Statements of Operations and Deficit

	Years ended December 31,	
	2001	2000
Expenses		
Amortization	\$ 2,123	\$ 33,171
Exchange (gains) losses	3,468	(7,866)
Finance expense (note 7)	33,108	70,322
Legal, accounting and audit	31,235	47,029
Management fees (note 7)	30,000	--
Office and administration	60,404	128,407
Shareholder communications	25,990	27,311
Travel and conferences	16	2,690
Interest income	(990)	(339)
	(185,354)	(300,725)
Other expenses and income		
Settlement of convertible debenture	--	635,217
Loss on disposal of equipment	(74,555)	--
Reversal of Idaho-Maryland property accruals	293,639	--
Refund of Idaho-Maryland property deposit previously written off	48,619	--
Write-down of mineral property interests (note 3)	(100,356)	(649,722)
Loss for the year	(18,007)	(315,230)
Deficit, beginning of year	(18,363,299)	(18,048,069)
Deficit, end of year	\$ (18,381,306)	\$ (18,363,299)
)	
Loss per share – basic and diluted	\$ (0.00)	\$ (0.02)
Weighted average number of common shares outstanding	18,546,990	17,299,261

See accompanying notes to consolidated financial statements.

EMGOLD MINING CORPORATION

(an exploration stage company)

Consolidated Statements of Cash Flows

	Years ended December 31,	
	2001	2000
Cash provide by (used for)		
Operating activities		
Loss for the year	\$ (18,007)	\$ (315,230)
Items not affecting cash		
Amortization	2,123	33,171
Finance expense	--	63,690
Loss on disposal of equipment	74,555	--
Settlement of convertible debentures	--	(635,217)
Write-down of mineral property interests	100,356	649,722
	159,027	(203,864)
Changes in non-cash working capital		
Accounts receivable	4,594	2,053
Accounts payable and accrued liabilities, and due to related parties	(93,598)	742,192
	70,023	540,381
Financing activities		
Common shares issued for cash	--	75,000
Promissory notes	--	135,472
	--	210,472
Investing activities		
Mineral property interests		
Acquisition costs	(21,350)	(451,615)
Exploration and development costs	(55,629)	(285,738)
Reclamation bond	--	(3,000)
	(76,979)	(740,353)
Cash and cash equivalents		
Increase (decrease) during the year	(6,956)	10,500
Balance, beginning of year	14,084	3,584
Balance, end of year	\$ 7,128	\$ 14,084
Supplementary non-cash investing and financing activities (note 10)		

See accompanying notes to consolidated financial statements.

EMGOLD MINING CORPORATION

(an exploration stage company)

Notes to Consolidated Financial Statements

Years ended December 31, 2001 and 2000

1. Going concern assumption

These financial statements are prepared on a going-concern basis, which implies that the Company will continue realizing its assets and discharging its liabilities in the normal course of business. Accordingly, they do not give effect due to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities, contingent obligations and commitments in other than the normal course of business and at amounts different from those in these financial statements.

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

As at December 31, 2001, the Company had a working capital deficiency of \$1,379,968 (2000 – \$1,428,684), and a deficit of \$18,381,306 (2000 - \$18,363,299).

The Company has capitalised \$147,457 in acquisition and related costs to the Stewart, Rozan and Porph mineral property interests. Under the Holly mineral property lease agreement the Company had an obligation to make a cash payment of \$US 8,000 and issue 100,000 common shares on the first anniversary of the effective date of the agreement. These payments were not made and the vendors of the Holly property have agreed to extend payments of the shares and cash required under the terms of the agreement until such time that the Company has the financial ability to make the required payments. Under the Rozan mineral property interest the Company has an obligation to make a cash payment of \$10,000 and issue 50,000 common shares in the forthcoming year. Under the Stewart mineral property interest, the Company has an obligation to make cash payments totalling \$15,000 and issue 50,000 common shares in the forthcoming year.

The current obligations in respect of the Rozan, Stewart and Holly mineral property interests only guarantee a continuing interest in those properties. For the Company to realise the carrying value of these investments additional funding would be required or a joint venture partner would have to be identified to assist with the funding of these ventures.

The Company is also attempting to negotiate a new agreement on the Idaho-Maryland Property as the Company has an exploration permit on the property, but currently does not have an option on the mineral property interest. A new agreement must be negotiated with the vendors of the Idaho-Maryland Property, and the terms and conditions of any new agreement, if an agreement can be reached, are unknown at this time.

These costs, mentioned above, are in addition to ongoing general and administration expenditures of the Company and maintenance and carrying costs on other mineral property interests held by the Company.

The Company's ability to continue in operation is dependent on the continuing support of its creditors and funding from related parties (note 7), and its ability to secure additional financing. While it has been successful in securing additional financing in the past, there can be no assurance that it will be able to do so in the future. Accordingly, these financial statements do not reflect adjustments to the carrying value of assets and liabilities and balance sheet classifications used that would be necessary if going concern assumptions were not appropriate. Some adjustments could be material. There is significant doubt about the ability of the Company to continue as a going concern.

EMGOLD MINING CORPORATION

(an exploration stage company)

Notes to Consolidated Financial Statements

Years ended December 31, 2001 and 2000

1. Going concern assumption (continued)

2. Significant accounting policies

(a) Principles of consolidation

Emgold Mining Corporation (the "Company") is incorporated in the Province of British Columbia under the Company Act (British Columbia), and its principal business activity is the exploration and development of mineral properties. The Company's focus is in North America.

These consolidated financial statements include the accounts of the Company and its wholly owned, direct and indirect subsidiaries, Emperor Gold (U.S.) Corp., Emgold (U.S.) Corporation and Holly Corporation (U.S.), and have been prepared in accordance with accounting principles and practices generally accepted in Canada. All inter-company balances and transactions have been eliminated.

(b) Use of estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant areas requiring the use of management estimates include the determination of impairment of mineral property interests and capital assets, reclamation obligations, rates for amortization, and classification of accounts receivable between current and non-current assets. Actual results could differ from those estimates.

(c) Cash and cash equivalents

Cash and cash equivalents consist of cash and highly liquid investments with maturities of less than ninety days from the original date of acquisition.

(d) Equipment

Equipment is recorded at cost. Amortization is calculated using the declining balance basis at the rate of 20% per annum for office and exploration equipment and 30% per annum for computer equipment. Leasehold improvements related to mineral property interests are amortized on a straight-line basis over five years.

(e) Fair value of financial instruments

The carrying values of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their fair values due to the short-term nature of these instruments. The Company has concluded that it is not practicable to determine the fair value of its amounts due to related parties and promissory notes.

(f) Mineral property interests

Mineral property acquisition costs and exploration and development costs are deferred until the property to which they relate is placed into production, sold, allowed to lapse or abandoned. These costs will be amortized over the estimated life of the property following commencement of commercial production or written off if the property is sold, allowed to lapse or abandoned.

EMGOLD MINING CORPORATION

(an exploration stage company)

Notes to Consolidated Financial Statements

Years ended December 31, 2001 and 2000

2. Significant accounting policies (continued)

(f) Mineral property interests (continued)

Mineral property acquisition costs include cash expenses at cost and the fair market value of common shares, based on the trading price of the shares, issued for mineral property interests pursuant to the terms of the related property agreements. Payments relating to a property acquired under an option or joint venture agreement, where payments are made at the sole discretion of the Company, are recorded as mineral property costs upon payment.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance regulatory requirements.

The amount shown for mineral property interests represents costs incurred to date and the fair market value of common shares issued and does not necessarily reflect present or future value.

Administrative expenditures are expensed in the year incurred.

(g) Income taxes

Effective January 1, 2000, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants with respect to accounting for income taxes. Under the new recommendations, the liability method of tax allocation is used, based on differences between financial reporting and tax bases of assets and liabilities.

Previously, the deferral method was used, based on differences in the timing of reporting income and expenses in financial statements and tax returns. The new method was applied retroactively without any restatement of the 2000 financial statements being required.

Income taxes are calculated using the liability method of accounting. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the balance sheet are used to calculate future income tax liabilities or assets. Future income tax liabilities or assets are calculated using the tax rates anticipated to apply in the periods that the temporary differences are expected to reverse.

(h) Translation of foreign currencies

The Company's operations in the United States are considered to be integrated for the purposes of foreign currency translation. Its monetary assets and liabilities are translated at the rate of exchange at the balance sheet date, non-monetary assets and related amortization at historical rates, and revenue and expense items at the exchange rates prevailing on transaction dates. Foreign currency translation gains or losses are included in the consolidated statements of operations and deficit. Exchange gains and losses relating to the translation of foreign currency denominated items that have a fixed life extending beyond the following year are deferred and amortized to earnings over the remaining life of the monetary items on a straight-line basis.

EMGOLD MINING CORPORATION

(an exploration stage company)

Notes to Consolidated Financial Statements

Years ended December 31, 2001 and 2000

2. Significant accounting policies (continued)

(i) Loss per common share

Loss per share is calculated based on the weighted average number of common shares issued and outstanding during the year. The Company has adopted the revised recommendations of the Canadian Institute of Chartered Accountants ("CICA"), whereby new rules are applied in the calculation of diluted earnings per share. The revised standard has been applied on a retroactive basis and did not result in any restatement of the Company's financial statements. Basic and diluted losses per share are the same as the effect of potential issuances of shares under warrant or share option arrangements would be anti-dilutive.

(j) Share option plan

The Company from time to time issues share purchase options as described in note 6(b). No compensation expense is recognized for this plan when shares or share purchase options are issued. Consideration for shares issued on exercise of share purchase options is credited to share capital.

3. Mineral property interests

The cumulative costs of the Company's interest in mineral properties owned, leased or under option, consist of the following:

Carrying Values of Mineral Property Interests	2001	2000
Idaho-Maryland Property, California	\$ 1	\$ 1
Holly Property, Nevada	1	28,996
Rozan Property, British Columbia	118,738	103,507
Porph Claim, British Columbia	3,324	--
Stewart Property, British Columbia	25,395	--
	<u>\$ 147,459</u>	<u>\$ 132,504</u>

Idaho-Maryland Property, California

Until fiscal 2000, the Company had three distinct interests in the Idaho-Maryland Property and surrounding areas in Grass Valley Mining District, California.

During the years ended December 31, 2001 and 2000, the Company reviewed its carrying value of Idaho-Maryland properties and concluded that due to the prevailing low gold prices and uncertainties surrounding the ability of the Company to raise additional financing to maintain its interest and develop the property, that the carrying value of the property exceeded its recoverable amount.

These reviews resulted in write-downs of exploration costs on the property of \$32,639 and income related to the reversal of accruals on the property of \$293,639 for the year ended December 31, 2001, and a write-down on the property of \$649,722 for the year ended December 31, 2000.

Idaho-Maryland Mine:

During fiscal 2000 the option to purchase and the lease of this property lapsed and the Company is currently in negotiations with the owners of the property to extend and revise the terms of the mining lease and option. Negotiations to date have been unsuccessful, but the Company holds the license for the exploration rights to the property.

EMGOLD MINING CORPORATION

(an exploration stage company)

Notes to Consolidated Financial Statements

Years ended December 31, 2001 and 2000

3. Mineral properties (continued)

In an amendment to the original agreement, the owners of the property agreed to modify the payments as follows, for the lease years commencing on August 18, 1998, 1999 and 2000, the Company was permitted to issue promissory notes instead of paying cash on the annual option payment. The promissory notes were calculated as US\$75,000 plus an adjustment for the consumer price index, each August 18th if the gold price is lower than US\$300. The property is not under option by the Company, and the promissory notes and accrued interest thereon have not been paid. Refer to note 5 for more details on the promissory notes.

80 Acres Parcel

Until December 31, 1999, the Company held a lease and option to purchase on an adjoining 80-acre parcel of land.

In 2000 the Company completed a revised license agreement for the continued rental of the mill site and buildings for a term to run from February 1, 2000, to February 1, 2001, at US\$1,500 per month, and the original lease agreement as amended was terminated.

Holly Gold Property, Nevada

In 2000 the Company entered into a 20-year lease and option agreement to acquire the rights to the Holly Gold Property, consisting of 34 mineral claims located in the Antelope Springs Mining District, Pershing County, Nevada. The property lease is for an initial term of twenty years but the lease can be extended for so long thereafter as there is mining development or processing of materials from the property. The property owners will receive a 3% net smelter returns royalty on the production of valuable minerals from the property. Under the terms of the lease agreement, the Company will make advance royalty payments of US\$3,000 on signing, which was paid, US\$8,000 was to be paid on the first anniversary of the agreement, US\$10,000 on the second anniversary, US\$15,000 on the third anniversary, and US\$20,000 on each anniversary thereafter. The Company issued 100,000 common shares on regulatory approval and a further 100,000 common shares were to be issued on the first anniversary of the effective date of the agreement, but has not made any additional payments on the property. These payments were not made and the vendors of the Holly property have agreed to extend payments of the shares and cash required under the terms of the agreement until such time that the Company has the financial ability to make the required payments. The Company has the option to purchase 100% interest in the property for US\$1,000,000 at any time and all advance royalty payments and productions royalties will be credited against and deducted from the purchase price. The Company staked a 35th contiguous mineral claim separately, subsequent to the signing of the property lease. The Company made the payments to the Bureau of Land Management in Nevada for the 2002 year. The Company has written the property down by \$34,386 to a nominal carrying value of \$1.

Rozan Gold Property, British Columbia

In 2000 the Company entered into an option agreement to acquire the rights to the Rozan Gold Property, a prospect located south of the community of Nelson in the Red Mountain area of southeastern British Columbia. The Company can earn a 100% interest in the property by making stepped payments totalling \$100,000 (\$10,000 paid) and issuing 200,000 (100,000 issued) common shares by April 1, 2006. The property is subject to a 3% net smelter returns royalty. The Company has the right to purchase 66 2/3% of the royalty for the sum of \$1,000,000 and has the first right of refusal to purchase the remaining 33 1/3%.

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Notes to Consolidated Financial Statements

Years ended December 31, 2001 and 2000

3. Mineral properties (continued)

Stewart Property, British Columbia

In 2001 the Company entered into an option agreement to acquire the rights to the Stewart mineral claims, a prospect located close to Nelson in southeastern British Columbia. The Company can earn a 100% interest in the property by making payments totalling \$150,000 (\$5,000 paid) and issuing 200,000 common shares (50,000 issued) by 2007. The Company has also agreed to incur exploration expenditures of \$49,200 over two years (\$15,759 incurred to December 31, 2001). The property is subject to a 3% net smelter returns royalty. The Company has the right to purchase 66 2/3% of the royalty for the sum of \$1,000,000 and has the first right of refusal to purchase the remaining 33 1/3%.

Porph Claims, British Columbia

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

4. Equipment

	Cost	Accumulated amortization	Net Book Value 2001
Office equipment	\$ --	\$ --	\$ --
Computers	--	--	--
Leasehold improvements	--	--	--
	\$ --	\$ --	\$ --

	Cost	Accumulated amortization	Net Book Value 2000
Office equipment	\$ 51,066	\$ 31,418	\$ 19,648
Computers	241,517	189,411	52,106
Leasehold improvements	29,606	24,682	4,924
	\$ 322,189	\$ 245,511	\$ 76,678

5. Promissory notes

	2001	2000
Promissory notes and accrued interest	\$ 459,894	\$ 426,562

In connection with the Idaho-Maryland Mine (refer to note 3) the Company issued to the owners of the property a number of promissory notes instead of cash payments in relation to the option agreement. These promissory notes have an 8% annual interest rate. As of December 31, 2001, the Company has accrued \$65,641 (2000 - \$32,309) of interest payable in respect of these notes.

The Company has classified these promissory notes as a current liability as the notes were issued pursuant to the Idaho-Maryland Mine option agreement, which has expired. The ongoing treatment of these promissory notes is uncertain as the Company does not currently have an option agreement on the Idaho-Maryland Mine, and the property is currently in the hands of the vendors. The Company is negotiating with the vendors of the property and other mining companies with respect to the exploration permit held by the Company on the property.

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Years ended December 31, 2001 and 2000

6. Share capital

The authorized share capital of the Company consists of 50,000,000 common shares without par value and 50,000,000 preferred shares without par value.

(a) Common shares issued and outstanding are as follows:

	Number of Shares	Amount
Balance, December 31, 1999	16,734,934	\$ 16,966,359
Rozan property payment at \$0.18	50,000	9,000
Holly property payment at \$0.11	100,000	11,000
Debt settlement at \$0.10	854,385	85,438
Private placement at \$0.10	750,000	75,000
Balance, December 31, 2000	18,489,319	17,146,797
Rozan property payment at \$0.04	50,000	2,000
Stewart property payment at \$0.06	50,000	3,000
Balance, December 31, 2001	18,589,319	\$ 17,151,797

There are 4,558 (2000 – 4,558) common shares held in escrow, which may not be released without the approval of the Canadian Venture Exchange.

(b) Stock options

The Company has a fixed stock option plan for its directors and employees to acquire common shares of the Company at a price determined by the fair market value of the shares at the date of grant. The plan allows the Company to grant options to its directors and employees for up to 2,267,580 common shares, of which 83,580 stock options are still available to be issued. The stock options currently outstanding are exercisable for periods up to ten years. No stock options were exercised during fiscal 2001. Subsequent to the year ended December 31, 2001, 15,000 stock options were cancelled.

The following table summarizes information about the stock options outstanding at December 31, 2001:

Number Outstanding at December 31, 2001	Weighted Average Remaining Contractual Life	Average Exercise Price
1,257,000	9.8 years	\$0.100
10,000	0.4 years	\$0.200
372,000	7.2 years	\$0.250
545,000	3.1 years	\$0.300
2,184,000	7.7 years	\$0.180

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Notes to Consolidated Financial Statements

Years ended December 31, 2001 and 2000

6. Share capital (continued)

A summary of the changes in stock options for the years ended December 31, 2001 and 2000, is presented below:

	Shares	Weighted Average Exercise Price
Balance, December 31, 1999	1,522,500	\$0.285
Cancelled	(105,000)	\$0.300
Expired	(214,500)	\$0.300
Balance, December 31, 2000	1,203,000	\$0.282
Cancelled	(55,000)	\$0.255
Expired	(221,000)	\$0.300
Granted	1,257,000	\$0.100
Balance, December 31, 2001	2,184,000	\$0.180

(c) Share purchase warrants

	Warrants	Exercise Price
Balance, December 31, 1999	1,342,000	\$0.30/0.35
Issued	750,000	\$0.15/0.25
Balance, December 31, 2000	2,092,000	\$0.15/0.35
Expired	(1,342,000)	\$0.30/0.35
Balance, December 31, 2001	750,000	\$0.25

7. Related party transactions and balances

Services rendered by:	2001	2000
Lang Mining Corporation (a)	\$ 89,020	\$ 119,155
DuMoulin Black (b)	\$ --	\$ 20,198
Director (c)	\$ --	\$ 9,768
Director (d)	\$ 23,551	\$ 107,661
LMC Management Services Ltd. (e)	\$ 28,194	\$ --

(a) Lang Mining Corporation ("Lang Mining") is a private company controlled by an officer and director of the Company. Lang Mining provided management services at a rate of \$5,000 per month, and provided accounting, geological, and other services at cost plus 15%, until June 30, 2001.

Effective July 2001 the Company, in agreement with Lang Mining, discontinued payment of the \$5,000 per month management fee and cost plus 15% administration fee (see note 7(e)).

(b) Legal fees of \$nil (2000 - \$20,198) were paid to a law firm of which a director is a partner. During fiscal 2000, 51,297 common shares were issued in exchange for \$5,130 in debt owing to the law firm.

(c) Legal fees of \$nil (2000 - \$9,768) were paid to a firm of which a partner is a director of the Company's subsidiary.

(d) A director of the Company, who is also project manager at the Idaho-Maryland property, receives project management consulting services. During fiscal 2000, 803,088 common shares were issued in exchange for \$80,309 in debt owing.

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Notes to Consolidated Financial Statements

Years ended December 31, 2001 and 2000

7. Related party transactions and balances (continued)

- (e) Commencing August 1, 2001, management, administrative, geological and other services are provided by LMC Management Services Ltd. ("LMC"), a private company held by the Company and other public companies, to provide services at cost to the various public entities currently sharing office space with the Company.

Balances payable to:	2001	2000
Lang Mining Corporation	\$ (372,133)	\$ (279,063)
DuMoulin Black	\$ (16,390)	\$ (16,390)
Directors	\$ (446,995)	\$ (351,107)
LMC Management Services Ltd.	\$ (30,168)	\$ --
Sultan Minerals Inc.	\$ (3,313)	\$ --
Valerie Gold Resources Ltd.	\$ (2,661)	\$ --
	\$ (871,666)	\$ (646,560)

The amounts are non-interest bearing and due on demand, with no fixed terms of repayment, except for a balance owing to a director and officer of the Company, which bears interest at 10% per annum. Interest of \$33,108 has been accrued and is included in the balance payable.

8. Income taxes

Effective January 1, 2000, the Company adopted CICA Standard 3465, "Accounting for Income Taxes."

- (a) The recovery of income taxes shown in the statements of operations and deficit differs from the amounts obtained by applying statutory rates to the following:

	2001	2000
Statutory tax rate	44.62%	45.62%
Income (loss) for the year	\$ (18,007)	\$ (315,230)
Provision for income taxes based on statutory Canadian combined federal and provincial tax rates	(8,035)	(143,810)
Non-deductible differences	13,411	30,934
Losses used for which no benefit was previously recorded	(152,716)	--
Benefits from losses not recognized	2,156,139	106,706
Differences in foreign tax rates	(8,799)	6,170
	\$ --	\$ --

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Notes to Consolidated Financial Statements

Years ended December 31, 2001 and 2000

8. Income taxes (continued)

(b) The significant components of the Company's future tax assets are as follows:

	2001
Future income tax assets	
Mineral property interests	\$ 5,401,717
Operating losses carried forward	1,201,118
Other	356
Benefits from losses	6,603,191
Valuation allowance for future tax assets	(6,603,191)
	\$ --

The realization of income benefits related to these future potential tax deductions is uncertain and cannot be viewed as more likely than not. Accordingly, no future income tax asset has been recognized for accounting purposes.

(c) The Company has Canadian non-capital losses carried forward of \$3,372,032 that may be available for tax purposes. The losses expire as follows:

Expiry date	\$
2002	419,211
2003	686,418
2004	888,846
2005	535,698
2006	428,149
2007	238,534
2008	175,126
	3,372,032

(d) The Company has approximately \$3,900,000 of net operating losses in the United States which expire at various times through to 2015.

9. Segmented financial information

The Company has one operating segment, which is the exploration and development of mineral properties. The Company's mineral property interests and capital assets are located in the United States and Canada.

EMGOLD MINING CORPORATION

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Notes to Consolidated Financial Statements

Years ended December 31, 2001 and 2000

10. Supplementary non-cash investing and financing activities

During the years ended December 31, 2001 and 2000, the Company conducted non-cash operating, financing and investing activities as follows:

Operating activities	2001	2000
Shares issued for debt settlements	\$ --	\$ (85,439)
Interest on promissory notes	33,332	24,872
Financing activities		
Shares issued for Rozan property payment	2,000	9,000
Shares issued for Holly property payment	--	11,000
Shares issued for Stewart property payment	3,000	--
Shares issued for debt settlements	--	85,439
	5,000	105,439
Investing activities		
Shares issued for mineral property payments	(5,000)	(20,000)
Mineral property acquisition costs	\$ (33,332)	\$ (24,872)

11. Subsequent event

Subsequent to December 31, 2001, the Company announced that it had agreed to issue 2,250,000 common shares in exchange for \$225,000 in debt owing. The debt settlement is subject to approval by regulatory authorities.

EMGOLD MINING CORPORATION

Unaudited Consolidated Schedules of Mineral Property Interests

Mineral property interests	Years ended December 31,	
	2001	2000
Idaho-Maryland Mine, California		
Acquisition costs		
Balance, beginning of year	\$ 1	\$ 1
Incurred during the year	33,332	451,501
Write-down during the year	(33,332)	(451,501)
Balance, end of year	1	1
Exploration and development costs		
Consulting and engineering studies	24,326	107,661
Site activities	6,215	37,975
Travel and accommodation	2,098	10,533
Well monitoring and reclamation	--	42,052
Incurred during the year	32,639	198,221
Less write-down of exploration and development costs	(32,639)	(198,221)
Balance, end of year	1	1
Rozan Property, British Columbia		
Acquisition costs		
Balance, beginning of year	15,990	--
Incurred during the year	8,000	15,990
Balance, end of year	23,990	15,990
Exploration and development costs		
Assays	346	3,960
Drilling	--	30,775
Geological and geochemical	(4,568)	39,907
Site activities	11,453	8,515
Travel and accommodation	--	4,360
Incurred during the year and balance, end of year	7,231	87,517
Balance, beginning of year	87,517	--
Balance, end of year	94,748	87,517
	118,738	103,507
Porph Claim, British Columbia		
Acquisition costs		
Incurred during the year and balance, end of year	3,324	--
Stewart Property, British Columbia		
Acquisition costs		
Incurred during the year and balance, end of year	9,636	--
Exploration and development costs		
Assays and analysis	11,814	--
Geological	3,004	--
Site activities	941	--
Incurred during the year and balance, end of year	15,759	--
	25,395	--
Holly Property, Nevada		
Acquisition costs		
Balance, beginning of year	28,996	--
Incurred during the year	5,390	28,996
Write-down of mineral property interest	(34,385)	--
Balance, end of year	1	28,996
Mineral property interests	\$ 147,459	\$ 132,504