

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

For the nine months ended September 30, 2004 and 2003
(expressed in United States dollars)
(Unaudited)

EMGOLD MINING CORPORATION

(an exploration stage company)
Consolidated Balance Sheets
(expressed in United States dollars)
(Unaudited)

	September 30, 2004	December 31, 2003
Assets		
Current assets		
Cash and cash equivalents	\$ 2,453,149	\$ 5,830,119
Restricted cash	--	8,667
Due from related parties (Note 6)	60,562	21,595
Prepaid expenses and deposits	108,877	27,672
Accounts receivable	42,866	21,518
	2,665,454	5,909,571
Plant and equipment	358,359	32,367
Mineral property interests (Note 2)	761,734	140,487
Other	6,399	6,399
	\$ 3,791,946	\$ 6,088,824
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 344,432	\$ 94,977
Due to related parties (Note 6)	98,420	98,073
	442,852	193,050
Preference shares (Note 3)	545,456	517,417
	988,308	710,467
Shareholders' equity		
Share capital (Note 3)	22,910,579	21,403,748
Cumulative translation adjustment	(577,456)	(577,456)
Contributed surplus	1,998,150	1,654,998
Deficit	(21,527,635)	(17,102,933)
	2,803,638	5,378,357
	\$ 3,791,946	\$ 6,088,824

See accompanying notes to consolidated financial statements.

Approved by the Directors

"Joel D. Schneyer"

Joel D. Schneyer
Director, Chair of the Audit Committee

"William J. Witte"

William J. Witte
Director

EMGOLD MINING CORPORATION

(an exploration stage company)

Consolidated Statements of Operations and Deficit

(expressed in United States dollars)

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2004	2003	2004	2003
Expenses				
Amortization	\$ 4,226	\$ 2,533	\$ 9,506	\$ 4,938
Accretion of debt portion of preference shares	4,467	--	13,191	--
Ceramext™ process research (see schedule)	135,426	--	946,840	--
Exploration expenses (see schedule)	838,000	249,068	2,414,655	660,619
Foreign exchange loss / (gain)	(49,279)	(890)	132,399	10,616
Finance expense	10,573	9,942	31,218	31,918
Legal, accounting and audit	43,508	13,892	75,100	40,795
Management and consulting fees	--	5,351	92,675	16,054
Office and administration	111,594	3,392	145,257	28,707
Salaries and benefits	194,168	50,042	318,604	145,643
Shareholder communications	139,036	26,669	259,292	121,034
Travel	7,622	14,346	40,815	19,936
	1,439,341	374,345	4,479,552	1,080,260
Other expenses and income				
Interest income	(16,605)	(1,242)	(54,850)	(3,333)
Loss for the period	1,422,736	373,103	4,424,702	1,076,927
Deficit, beginning of period	20,104,899	14,646,177	17,102,933	13,942,353
Deficit, end of period	\$ 21,527,635	\$ 15,019,280	\$ 21,527,635	\$ 15,019,280
Loss per share – basic and diluted	\$ 0.03	\$ 0.01	\$ 0.09	\$ 0.04
Weighted average number of common shares outstanding	47,077,121	28,669,952	46,672,863	27,837,126
Total common shares outstanding at end of period	47,158,099	30,493,480	47,158,099	30,493,480

See accompanying notes to consolidated financial statements.

EMGOLD MINING CORPORATION

(an exploration stage company)

Consolidated Statements of Shareholders' Equity

(expressed in United States dollars)

(Unaudited)

	Common Shares Without Par Value		Preference Shares	Contributed Surplus	Cumulative Translation Adjustment	Deficit	Total Shareholders' Equity
	Shares	Amount					
Balance, December 31, 2002	25,119,319	\$ 14,191,476	\$ --	\$ --	\$ (622,352)	\$ (13,942,353)	\$ (373,229)
Shares issued for cash:							
Private placement, less share issue costs	2,472,222	667,620	--	--	--	--	667,620
Private placement, less share issue costs	10,060,000	5,087,855	--	--	--	--	5,087,855
Flow-through private placement	160,000	112,559	--	--	--	--	112,559
FIT asset recognized as a result of flow-through private placement	--	(44,105)	--	--	--	--	(44,105)
Warrants exercised	4,775,847	1,069,264	--	--	--	--	1,069,264
Stock options exercised	623,000	98,460	--	--	--	--	98,460
Shares issued for other:							
Escrow shares cancelled	(4,558)	--	--	--	--	--	--
Cumulative rounding from prior years	50	--	--	--	--	--	--
Rozan property payment at Cdn\$0.10	50,000	18,674	--	--	--	--	18,674
Stewart property payment at Cdn\$0.28	50,000	26,552	--	--	--	--	26,552
Finance fee on private placement	150,000	84,491	--	--	--	--	84,491
Equity portion of preference shares issued on settlement of note payable	--	--	90,902	--	--	--	90,902
Stock-based compensation	--	--	--	1,654,998	--	--	1,654,998
Cumulative translation adjustment	--	--	--	--	44,896	--	44,896
Loss for the year	--	--	--	--	--	(3,160,580)	(3,160,580)
Balance, December 31, 2003	43,455,880	21,312,846	90,902	1,654,998	(577,456)	(17,102,933)	5,378,357
Shares issued for cash:							
Warrants exercised	2,935,219	1,236,089	--	--	--	--	1,236,089
Options exercised	517,000	59,731	--	--	--	--	59,731
Shares issued for other:							
Ceramext™ license agreement	200,000	182,108	--	--	--	--	182,108
Stewart property payment at Cdn\$0.76	50,000	28,903	--	--	--	--	28,903
Stock-based compensation	--	--	--	343,152	--	--	343,152
Loss for the period	--	--	--	--	--	(4,424,702)	(4,424,702)
Balance September 30, 2004	47,158,099	\$ 22,819,677	\$ 90,902	\$ 1,998,150	\$ (577,456)	\$ (21,527,635)	\$ 2,803,638

See accompanying notes to consolidated financial statements.

EMGOLD MINING CORPORATION

(an exploration stage company)
 Consolidated Statements of Cash Flows
 (expressed in United States dollars)
 (Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2004	2003	2004	2003
Cash provided by (used for):				
Operations:				
Loss for the period	\$ (1,422,736)	\$ (373,103)	\$ (4,424,702)	\$ (1,076,927)
Items not involving cash				
Amortization	4,226	2,533	9,506	4,938
Stock based compensation	242,344	--	343,152	--
Accretion of debt component of preference shares	4,467	--	13,191	--
Shares issued for Ceramext™ license agreement	--	--	182,108	--
Unrealized foreign exchange	18,797	(36,121)	(16,370)	54,714
Finance expense	10,573	9,942	31,218	31,918
	(1,142,329)	(396,749)	(3,861,897)	(985,357)
Changes in non-cash operating working capital				
Accounts receivable	(16,458)	2,317	(21,348)	(2,563)
Due to/from related parties	(2,995)	56,902	(38,620)	100,960
Prepaid expenses and deposits	(53,387)	(8,546)	(81,205)	6,989
Accounts payable and accrued liabilities	177,868	(11,544)	249,455	(27,852)
	(1,037,301)	(357,620)	(3,753,615)	(907,823)
Investing activities:				
Mineral property acquisition costs	(25,292)	(6,044)	(592,344)	(32,196)
Reclamation bonds	--	(2,973)	--	(4,284)
Equipment additions	(232,585)	(7,200)	(335,498)	(38,024)
	(257,877)	(16,217)	(927,842)	(74,504)
Financing activities:				
Class A preference share issue costs	--	(634)	--	(634)
Common shares issued for cash	15,411	597,491	1,295,820	1,317,382
	15,411	596,857	1,295,820	1,316,748
Increase (decrease) in cash and cash equivalents during the period	(1,279,767)	223,020	(3,385,637)	334,421
Cash, restricted cash, and cash equivalents, beginning of period	3,732,916	185,301	5,838,786	73,900
Cash and cash equivalents, end of period	\$ 2,453,149	\$ 408,321	\$ 2,453,149	\$ 408,321
Cash and cash equivalents is comprised of:				
Cash and in bank	\$ 903,218	\$ 295,762	\$ 903,218	\$ 295,762
Restricted cash	--	112,559	--	112,559
Short-term money market instruments	1,549,931	--	1,549,931	--
	\$ 2,453,149	\$ 408,321	\$ 2,453,149	\$ 408,321

See accompanying notes to consolidated financial statements.

EMGOLD MINING CORPORATION

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Notes to the Consolidated Financial Statements

Nine months ended September 30, 2004 and 2003

(expressed in United States dollars)

(Unaudited)

The accompanying consolidated financial statements for the interim periods ended September 30, 2004 and 2003, are prepared on the basis of accounting principles generally accepted in Canada and are unaudited, but in the opinion of management, reflect all adjustments (consisting of normal recurring accruals) necessary for fair presentation of the financial position, operations and changes in financial results for the interim periods presented. The consolidated financial statements for the interim periods are not necessarily indicative of the results to be expected for the full year. These financial statements do not contain the detail or footnote disclosure concerning accounting policies and other matters, which would be included in full year financial statements, and therefore should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2003.

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 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 September 30, 2004, the Company had unrestricted working capital of \$2,222,602 and a deficit of \$21,527,635.

The Company has capitalized \$761,734 in acquisition costs related to the Idaho-Maryland, Rozan, Porph, Stewart and Jazz mineral property interests.

The current obligations in respect of the mineral property interests only secure a continuing interest in those properties. In order to realize the carrying value of these investments, the Company would be required to obtain additional funding or a joint venture partner would have to be identified to assist with the funding of these ventures. The Company has staked mineral claims in southeastern British Columbia.

These costs, mentioned above, are in addition to ongoing general and administration expenditures, costs on other exploration properties held by the Company, and costs required in connection with the Ceramext™ process.

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.

EMGOLD MINING CORPORATION

(an exploration stage company)

Notes to the Consolidated Financial Statements

Nine months ended September 30, 2004 and 2003

(expressed in United States dollars)

(Unaudited)

2. Mineral property interests

(a) Mineral property interests

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

Mineral property acquisition costs	September 30, 2004	December 31, 2003
Idaho-Maryland Property, California	\$ 557,429	\$ 711
Rozan Property, British Columbia	73,518	60,568
Porph Claim, British Columbia	5,544	4,541
Stewart Property, British Columbia	120,197	74,667
Jazz Claims, British Columbia	5,046	--
	\$ 761,734	\$ 140,487

Jazz Property

In 2004, the Company entered into an option agreement to acquire a 100% interest in the Jazz Property consisting of twenty-four mineral claims (24 units) located at latitude 49°17'N and longitude 117°21'W in the Nelson Mining Division near Nelson, British Columbia. The property is contiguous to the Stewart Property and covers approximately 600 hectares. Under the terms of the agreement, the Company has agreed to make total cash payments of \$215,000 to the optionor over a ten-year period. Cash payments in the first year will total \$20,000 (\$5,000 paid). In exchange for the above cash payments, the Company will have the exclusive right and option to earn 100% interest in the property, subject only to the payment to the optionor of a 3.0% NSR (Net Smelter Returns) royalty and the completion of Cdn\$75,000 in exploration work on the property within 2 years from the date of the agreement. The Company will have the right to purchase 2/3 of the NSR from the optionor for \$1,000,000 at any time up to and including the commencement of commercial production.

(b) Ceramext™ Process

In 2004, the Company signed an exclusive worldwide license agreement with Ceramext, LLC to develop and use the Ceramext™ Process to convert mine tailings and other waste materials into ceramics. The Ceramext™ Process is a patented technology capable of converting a wide variety of raw materials, including mine tailings and fly ash into industrial ceramics such as floor tile, roof tile, brick, construction materials and other industrial and commercial products.

Under the terms of the agreement, the Company has obtained the worldwide rights, subject to a monthly royalty of 3% of the gross sales revenue derived from the sales of physical products produced. Under the terms of the agreement, Emgold paid \$100,000 and issued 200,000 common shares to Ceramext LLC, a private company controlled by a director of the Company. The worldwide rights will remain in force based upon maintaining the following minimum royalty payments: \$5,000 per quarter in 2005; \$10,000 per quarter in 2006; \$20,000 per quarter in 2007; and \$40,000 per quarter thereafter. Research costs relating to the Ceramext™ Process will be expensed until the completion of a scalable demonstration plant.

EMGOLD MINING CORPORATION

(an exploration stage company)

Notes to the Consolidated Financial Statements

Nine months ended September 30, 2004 and 2003

(expressed in United States dollars)

(Unaudited)

3. Share capital

Authorized:

500,000,000 common shares without par value

50,000,000 first preference shares without par value

Preference shares:

Series A First Preference Shares	Number of Shares	Amount
Balance, December 31, 2002	--	\$ --
Shares issued for indebtedness, equity portion	3,948,428	90,902
Equity Balance, December 31, 2003 and September 30, 2004	3,948,428	90,902
Balance, December 31, 2002	--	\$ --
Shares issued for indebtedness, debt portion	--	517,417
Debt Balance, December 31, 2003	--	517,417
Accretion of debt	--	13,191
Foreign exchange loss on debt	--	14,848
Debt Balance, September 30, 2004	--	\$ 545,456

During fiscal 2002, the Company entered into agreements with Mr. Frank A. Lang and Lang Mining Corporation (collectively "Lang") to issue 3,948,428 Series A First Preference shares in full satisfaction of Cdn\$769,686 of indebtedness to Lang. The Series A Preference shares rank in priority to the Company's common shares and are entitled to fixed cumulative preferential dividends at a rate of 7% per annum. At September 30, 2004, \$77,826 in dividends payable have been accrued and are classified as due to related party.

The shares are redeemable by the Company on 30 days written notice at a redemption price of Cdn\$0.80 per common share, but are redeemable by the holder only out of funds available that are not in the Company's opinion otherwise required for the development of the Company's mineral property interests or to maintain a minimum of Cdn\$2 million in working capital.

The Series A First Preference Shares are convertible into common shares at any time at a ratio of one common share for every four Series A First Preference Shares, which represents an effective conversion price of Cdn\$0.80 per common share. The Preference Shares also have attached a gold redemption feature by which holders may elect at the time of any proposed redemption to receive gold in specie valued at \$300 per ounce in lieu of cash, provided the Company has on hand at the time gold in specie having an aggregate value of not less than the redemption amount.

EMGOLD MINING CORPORATION

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Notes to the Consolidated Financial Statements

Nine months ended September 30, 2004 and 2003

(expressed in United States dollars)

(Unaudited)

3. Share capital (continued)

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 maximum aggregate number of common shares reserved for issuance pursuant to the plan is 5,584,616 common shares. There are currently 6,114,000 stock options outstanding, exercisable for periods up to ten years. Options granted to officers and directors in July 2004 are subject to disinterested shareholder approval at the next annual meeting of shareholders.

The fair value of each stock option granted is estimated on the date of grant using the Black-Scholes option-pricing model with weighted average assumptions as follows:

	Nine months ended September 30,	
	2004	2003
Risk free interest rate	2.43% - 2.53%	--
Expected life (years)	3	--
Expected volatility	128% - 130%	--
Weighted average fair value per option grant	\$0.83 - \$0.93	--

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that are fully transferable and have no vesting restrictions. The Company's stock options are not transferable, cannot be traded and may have vesting provisions. The Black-Scholes model also requires an estimate of expected volatility. The Company uses historical market data to arrive at an estimate of expected volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the model does not necessarily provide a reliable measure of the fair value of the Company's stock options.

4. Commitments

The Company entered into a three-year lease and option to purchase agreement for a 44,750 square foot building located in Grass Valley, California. Minimum lease payments are \$17,005 per month beginning April 1, 2004, and will increase to \$17,900 on April 1, 2005, and to \$20,138 on April 1, 2006.

The Company entered into a two-year lease for a house in Grass Valley at \$2,400 per month.

5. Supplementary information

	Three months ended September 30,		Nine months ended September 30,	
	2004	2003	2004	2003
Shares issued for mineral property interests	\$ 28,903	\$ 26,552	\$ 28,903	\$ 45,226
Shares issued for Ceramext license agreement	\$ --	\$ --	\$ 182,108	\$ --

EMGOLD MINING CORPORATION

(an exploration stage company)

Notes to the Consolidated Financial Statements

Nine months ended September 30, 2004 and 2003

(expressed in United States dollars)

(Unaudited)

6. Related party transactions and balances

Related party balances are non-interest bearing and are due on demand, with no fixed terms of repayment, with the exception of preference shares (Note 3).

Services rendered:	For the nine months ended	
	September 30, 2004	September 30, 2003
Legal fees (a)	\$ 25,420	\$ 23,873
Lang Mining Corporation (d)	\$ 18,685	\$ 16,054
Director and project manager ((b) and Note 2(b))	\$ 67,500	\$ 67,500
LMC Management Services Ltd. (c)	\$ 461,392	\$ 241,120

Balances receivable from (payable to):	September 30,	December 31,
	2004	2003
LMC Management Services Ltd.	\$ 60,562	\$ 21,595
Legal fees	(7,926)	(28,810)
Directors, officers and employees (Note 3)	(90,494)	(69,263)
	\$ (98,420)	\$ (98,073)

(a) Legal fees were paid to a law firm of which a director is a partner.

(b) A director of the Company, who is also project manager at the Idaho-Maryland property, receives fees for project management consulting services.

(c) Commencing August 1, 2001, management, administrative, geological and other services are provided by LMC Management Services Ltd. ("LMC"), a private company held jointly by the Company and other public companies, to provide services at cost to the various public entities currently sharing office space with the Company. Currently the Company has a 25% interest in LMC. Three months of estimated working capital is required to be on deposit with LMC under the terms of the services agreement. There is no difference between the cost of \$1 and equity value.

(d) Lang Mining Corporation ("Lang Mining") is a private company controlled by an officer and director of the Company. Commencing January 1, 2003, Cdn\$2,500 per month is being paid to Lang Mining for the services of the chairman of the Company.

EMGOLD MINING CORPORATION

(an exploration stage company)

Notes to the Consolidated Financial Statements

Nine months ended September 30, 2004 and 2003

(expressed in United States dollars)

(Unaudited)

7. Segmented information

The Company has two operating segments: the exploration and development of mineral properties, and the research and development of the Ceramext™ technology. For the year ended December 31, 2003, only one operating segment was identified – the exploration and development of mineral properties. In the nine months ended September 30, 2004, research and development of the Ceramext technology has increased substantially over prior periods, leading to the reporting of the Ceramext technology expenditures as a separate operating segment.

The Company's principal operations are in Canada and the United States of America. All of the investment income is earned in Canada.

Segmented assets and loss by operating segment are as follows:

Total assets	Mineral properties	Ceramext™ technology	Total
September 30, 2004 (Unaudited)	\$ 2,320,912	\$ 1,471,034	\$ 3,791,946
December 31, 2003	\$ 6,088,824	--	\$ 6,088,824
December 31, 2002	\$ 208,441	--	\$ 208,441

Loss	Mineral properties	Ceramext™ technology	Total
Nine months ended			
September 30, 2004 (Unaudited)	\$ 2,837,419	\$ 1,587,283	\$ 4,424,702
Year ended December 31, 2003	\$ 3,136,526	\$ 24,054	\$ 3,160,580
Year ended December 31, 2002	\$ 242,909	\$ --	\$ 242,909

Segmented assets and loss by geographic location are as follows:

Total assets	Canada	United States	Total
September 30, 2004 (Unaudited)	\$ 2,133,703	\$ 1,658,243	\$ 3,791,946
December 31, 2003	\$ 5,962,170	\$ 126,654	\$ 6,088,824
December 31, 2002	\$ 161,282	\$ 47,159	\$ 208,441

Loss	Canada	United States	Total
Nine months ended			
September 30, 2004 (Unaudited)	\$ 1,005,746	\$ 3,418,956	\$ 4,424,702
Year ended December 31, 2003	\$ 2,048,647	\$ 1,111,933	\$ 3,160,580
Year ended December 31, 2002	\$ 152,050	\$ 90,859	\$ 242,909

8. Comparative figures

Comparative figures have been restated, where required, to conform to the current period's presentation.

EMGOLD MINING CORPORATION

(an exploration stage company)

Consolidated Schedules of Exploration Expenses

Nine months ended September 30, 2004 and 2003

(expressed in United States dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2004	2003	2004	2003
Idaho-Maryland Mine, California				
Exploration costs				
Assays and analysis	\$ 8,828	\$ 7,498	\$ 67,766	\$ 8,115
Drilling	254,266	73,055	903,869	122,753
Geological and geochemical	271,851	72,184	532,503	204,834
Land lease and taxes	25,500	19,475	78,000	60,992
Mine planning	42,178	17,280	356,535	113,012
Site activities	168,972	48,964	366,725	127,736
Transportation	15,223	7,025	42,885	18,973
Incurring during the period	786,818	245,481	2,348,283	656,415
Jazz Property, British Columbia				
Exploration costs				
Assays and analysis	4,547	--	4,547	--
Drilling	9,305	--	9,305	--
Geological and geochemical	8,640	--	8,640	--
Transportation	1,858	--	1,858	--
Incurring during the period	24,350	--	24,350	--
Rozan Property, British Columbia				
Exploration costs				
Assays and analysis	--	--	--	71
Geological and geochemical	14,026	398	17,203	634
Site activities	203	15	203	15
Transportation	1,460	--	1,460	--
Incurring during the period	15,689	413	18,866	720
Stewart Property, British Columbia				
Exploration costs				
Geological and geochemical	10,275	2,868	20,781	3,174
Transportation	868	306	2,375	310
Incurring during the period	11,143	3,174	23,156	3,484
Total Exploration Expenses	\$ 838,000	\$ 249,068	\$ 2,414,655	\$ 660,619

EMGOLD MINING CORPORATION

(an exploration stage company)

Consolidated Schedules of Research costs

Nine months ended September 30, 2004 and 2003

(expressed in United States dollars)

Ceramext™ process costs	Nine months ended September 30, 2004	Three months ended September 30, 2004
Equipment for research and consumable materials	\$ 168,631	\$ (41,095)
Ceramext™ technology licence fee and bench-scale research facility	282,108	--
Consultants, contractors and hourly labour	279,091	46,596
Site costs	84,027	31,985
Engineering salaries	113,427	92,141
Transportation	19,556	5,799
	\$ 946,840	\$ 135,426

Note that Ceramext™ process costs for the three and nine months ended September 30, 2003 were nil.