



EMGOLD MINING CORPORATION

TECHNICAL REPORT

6.0 HISTORY

The Grass Valley Mining district has been the most productive gold area in the State of California. The mines in the district were known in California as the “Northern Mines” and were not part of the Mother Lode gold belt. The first and second largest underground gold producing mines in the state, the Empire and Idaho-Maryland, are located about 2 miles (3 km) apart within the district.

The original claim on the Idaho-Maryland property was staked in 1851. High-grade gold mineralization was discovered in 1861 with the commencement of mining in 1863. All production during this time was from a single vein referred to as the Idaho Number 1 Vein. Subsequent production from 1863 to 1893 produced 1.0 million ounces of gold from 1.0 million tons of ore. Fire destroyed the Idaho mine hoist in 1894, which caused the lower mine workings to flood. The period from 1894 to 1914 saw intermittent gold production (approximately 75,000 ounces).

The claims around the deposit were consolidated in 1915 to form the Idaho-Maryland mine. Metals Exploration Company of New York acquired control of the property, dewatered the mine, deepened the Idaho shaft to 2,000 ft (610 m) and moved the Union Hill stamp mill to the Idaho shaft area. Full production, however, was never achieved (only 27,000 ounces gold recovered). Control over the property changed in 1926 when Errol MacBoyle and Edwin Oliver created holdings that included the Idaho-Maryland, Brunswick, and Morehouse mines. Production commenced the same year.

From 1926 to 1942 the Idaho Mine produced 650,000 ounces of gold from 1.1 million tons of ore. The Brunswick Mine restarted production in 1934 after deepening its shaft to 3,460 ft and constructing a 750 t/d mill. Production from 1934 to 1955 consisted of 810,000 ounces of gold from 3.6 million tons of ore.

The mines were closed in 1942, due to the enactment of the Federal War Production Boards Limitation Order L-208, and were reopened again in 1945. Production was hampered by depleted operating funds, rising costs, skilled labor shortages, and negligible exploration and underground development work. Gold mining ceased in 1954, being briefly replaced by government-subsidized tungsten production until 1957. Mining activity stopped altogether in 1957.

At the time of closure, the mine was owned by Idaho-Maryland Industries, Inc. In 1963 Idaho-Maryland Industries executed a Quit Claim Deed to William and Marian Ghidotti. Ownership of the mineral rights eventually passed to Mary Bouma, Erica Erickson, and William Toms (referred to as the BET Group) in 1983.



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James Askew Associates, Inc (JAA) and Vector Engineering were commissioned in 1991 to examine all historic data preserved from past mining. The work produced an assessment report on mineral resources and exploration potential, rehabilitating the former workings and permitting requirements.

In 1993 Emgold, through its U.S. subsidiary Emperor Gold (U.S.) Corp, obtained a lease and option to purchase all mineral rights acquired by way of the 1963 Quit Claim Deed from Idaho-Maryland Industries, Inc. Over the next 7 years, approximately US\$7 million was spent by Emgold to support work on the Idaho-Maryland property. The project was put on hold for approximately 1.5 years while the terms and conditions of the lease and option to purchase were renegotiated between Emgold and the BET Group. The revised Agreement includes a mining lease and option to purchase the Property, consisting of approximately 2,750 acres of minerals and mineral rights (with no surface rights), approximately 37 acres of land (referred to as the "Brunswick Property") with mineral rights located around the New Brunswick Shaft, and an additional parcel of 56 acres (referred to as the "BET Property") located west of the Brunswick Property. The term of the lease agreement is five years commencing on June 1, 2002.