

Emgold Mining Corporation

EMR \$0.17

TSX Exchange | OTC:EGMCF | FRA:EMLM | Market Cap \$9M

Description: Emgold Mining Corporation is a growth-oriented junior mining company. Its key assets include a 3.75-million share holding (worth C\$2.4 million) in Troilus Gold Corp. (TSX: TLG), an emerging gold producer with its principal operations in Quebec; and the right to acquire up to a 91% interest in the 10,000-hectare Casa South Property in Quebec, a property located just south of Hecla Mining Company's (NYSE: HL) Casa Berardi Mine. Casa Berardi produced nearly 163,000 ounces of gold in 2018 and has 1.91 million ounces of remaining gold resources. Given Hecla Mining's aggressive plans to continue to develop Casa Berardi, we believe that Hecla could in time look to purchase the Casa South Property – at a presumably healthy premium.

Acquisition of the New York Canyon Property: On May 28, 2019, Emgold signed a letter of intent (LOI) with Searchlight Resources Inc. (TSX: SCLT) giving Emgold the option to buy 100% of the New York Canyon Property subject to underlying royalties. New York Canyon, which is located near Hawthorne, Nevada, contains oxide and sulfur skarn copper porphyry targets and is just 12 miles away from the Mindora gold, silver and base metals property. Emgold signed two LOIs about two weeks ago to acquire 100% of that property as well. (See our May 22, 2019 report.) The proximity of the New York Canyon and Mindora properties should translate into cost and development synergies for Emgold.

We note the following key aspects of the New York Canyon acquisition:

- The 607-hectare New York Canyon Property abuts the past-producing Santa Fe gold mine. Over approximately seven years ending in 1995, Santa Fe produced around 346,000 ounces of gold and 711,000 ounces of silver.
- In the Longshot Ridge section of the property, Searchlight drilled the majority of its 73 hole drilling program, totaling an aggregate depth of 8,400 meters. Longshot Ridge is the most advanced stage copper prospect in New York Canyon. Based on that drilling program, in a 2010 resource report Searchlight estimated that New York Canyon as a whole had an indicated resource of 14.8 tonnes of copper at a grade of 0.43%.
- Including the Searchlight data, Emgold has access to a huge drilling database on New York Canyon. The database catalogs a total of 234 holes drilled on the property comprising a total of over 43,000 meters.

Modest New York Canyon Purchase Price: New York Canyon consists of 21 patented and 60 unpatented mining claims. Emgold agreed to make payments totaling only C\$850,000 in cash and stock to acquire the property. The consideration will be paid in a number of stages: C\$10,000 at the signing of the LOI; C\$40,000 in cash and C\$500,000 in Emgold shares at the closing of the transaction; and C\$100,000 at each of the following dates – six months, twelve months and eighteen months after the closing of the deal.

Implications of the Transaction: While modest in size, the New York Canyon deal, together with the recent Mindora transaction, illustrates the shareholder focus of Emgold management. The company is risking relatively small sums in exchange for properties that have significant potential – an attractive risk-reward trade-off.

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Tormont50 Research

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