

Analysis by Bob Bogart of CLAIM

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It is good that the City has recognized the flawed nature of the current DEIR and it surely pushes the project out in time. Our concern is that it does not necessarily spell the end of the project and may in fact invigorate it. Here is our analysis.

We definitely want a good DEIR to review so it is good that it will be rewritten.

Emgold is teetering on the edge of bankruptcy and this is good as far as it goes. The stock is down to 2c and they have -\$500K in assets. They have defaulted on the royalty payment to Ceramatrix, they have reduced their lease payments to the mine landowners, and DW is working for free. But we suspect that rather than pack their bags and head back to Canada empty handed, Emgold will sell out to a senior mining company.

We met one such company at our last event on

May 15 when Roger Walsh, VP Corporate Development of Aurizon Mine Ltd graced us with his presence. www.aurizon.com. Just an example of Aurizon's financial power:

- * Cash flow from operating activities increased 27% to \$19.7 million compared to same quarter of 2008.
- * Earnings of \$5.0 million, or \$0.03 per share, and adjusted earnings of \$7.1 million, or \$0.05 per share.
- * Gold production of 38,966 ounces, in line with plan.
- * Total cash costs of US\$379 per ounce, 10% lower than same quarter of 2008.
- * Project debt reduced by \$8.2 million.
- * Subsequent to March 31, 2009, an equity financing realized net proceeds of \$47.4 million.

These guys will have the resources to push Grass Valley around and may make us all long for the good old days when Emgold was our worst enemy. Mr. Walsh told us the likely scenario that they would pursue: no ceramics plant and using 100% of the waste as backfill. This reduces a number of the environmental issues, primarily air pollution, as there would be no CO2 from the ceramics plant and no train of trucks carrying tiles down the hill. He was strident in telling us how hypocritical we were about air pollution when there were 8 lane freeways in Sacramento filled with SUVs. There are still substantial negative impacts to a mine project even without the ceramics plant: dewatering, blasting, dust from crushed rock, cyanide, traffic, loss of tourism, and lowered property values. But worst of all, this scenario makes no economic sense for Grass Valley.

Whatever the real number of jobs would have been for local folk, that number is instantly cut by at least 50%. Furthermore, we have quickly analyzed the economic return to GV from this scenario based on the assumptions in the existing DEIR for various sources of revenue from the project. The revenue to the city over 20 years will be greater with no project (following the general plan) than with the IMM project if you use realistic numbers for sales tax, property tax, and city expenses. (based upon Appendix H, DEIR)

In this scenario (no ceramics plant, 100% backfill) the city never makes any money on the project: after 5 project years, the city is nearly \$700,000 in the red; after 23 project years, the city has lost over \$1.1M. In the General Plan's base scenario after build-out, with no mine project (DEIR Appendix H Table 13), the same property would employ 795 people, and would net Grass Valley nearly \$200,000 per year.

Over the next several days we plan to issue several communications warning of the continued dangers of pursuing this project. We value your continued support. Let us know if you have any thoughts on how best to continue our battle.