

# ELECTRA GOLD LTD

## MANAGEMENT DISCUSSION AND ANALYSIS TWELVE MONTH PERIOD ENDED DECEMBER 31, 2007

The following discussion and analysis, prepared as of April 25, 2008, should be read together with the annual audited financial statements for the twelve month period ended December 31, 2007 and related notes attached thereto, which are prepared in accordance with Canadian generally accepted accounting principles. All amounts are stated in Canadian dollars unless otherwise indicated.

### Overview

The Company is in the resource exploration/development and production business. The Company has leased and acquired mineral rights to properties located near Port Hardy on Vancouver Island and near Powell River. These properties are industrial mineral properties containing cement feedstock materials and Kaolin as well as a strong potential for development of base and precious metal deposits optioned to Lumina Copper Corp. The company has been continuously shipping product to a Seattle Cement Plant since October 2003.

The company currently trades on the TSX Venture Exchange under the symbol ELT.

The following is a summary of significant events and transactions that occurred during 2007. Specifically:

- A total of 125,062 tonnes were shipped in fourteen barge loads #73 to 86.
- A \$4,000 Reclamation Bond security was posted by the company.
- The Company and its major customer entered into a loan agreement dated April 1, 2004 whereby the major customer agreed to establish a secured loan facility to enable the Company to purchase production equipment. All advances bear interest at 8% per annum and are repayable on the basis of \$1.50 per tonne of product purchased by the major customer starting with Load 28 on May 21/05. Of the \$517,857 advanced under this agreement, \$159,816 remains outstanding as of December 31, 2007.
- The Company has received, from the Ministry of Mines, a long term permit dated March 13/06 to mine chalky geyserite up to the amount of 249,000 tonnes per year. This permit approves Electra's five-year Mine Plan and Water Mitigation System.
- The Company entered into a Letter Agreement dated February 3, 2006 with Lumina Copper Corp. for the exploration development and mining of mineral resources within the North Island Apple Bay Claims. Lumina may earn a 100% interest in the property by making a total of \$200,000 in cash payments over time to the Company and upon a production decision, paying an additional \$800,000 in cash or shares. The Company retains the right to explore and exploit the property for non-metallic industrial minerals, and in addition, Lumina grants the right to the Company to explore its Hushamu claims for non-metallic industrial minerals. The Company received its third payment from Lumina on February 3, 2007 and fourth payment of \$80,000 on February 1, 2008.
- Electra has entered into discussions with another Cement Producer in the Vancouver Area to deliver a blended product of chalky geyserite and sandstone/shale containing lower silica, but slightly higher Na<sub>2</sub>O and K<sub>2</sub>O and higher F<sub>2</sub>O<sub>3</sub>. Preliminary discussions have been held with the District of Port Hardy on a Development Permit for a bulk sample.
- At the Annual General Meeting held on June 30, 2007 a new Director, Tom Nelson was elected to bring the total number of Directors to 6 and subsequently on July 13, 2007 director Fran Hunt Jinnouchi resigned as a director for Electra Gold Ltd., shortly after her term of chief for Quatsino First Nations expired, to bring the director number to 5.

## Results of Operations

The Company has experienced 18 consecutive quarters of commercial production. The volume of chalky geyselite shipped in 2007 was 125,062 (2006 – 121,712.35) tonnes. The increase of 4,453 tonnes was due to two shipments made to LaFarge Canada, one in the second quarter of 2007 and one in the third quarter.

Cost of sales in 2007 \$2,238,454 (2006 - \$2,056,217) are higher than the comparable period of 2006 due an increase in production of material because of the additional shipments to LaFarge Canada.

### Operational Events in 2007:

- a) On December 18th, 2007 Electra shipped the 86 barge load to Ash Grove Cement.
- b) Electra received a \$60,000 payment from Lumina pursuant to the agreement signed February 3, 2005.

### Selected Financial Information

	<u>YEAR ENDED DECEMBER 31,</u>		
	<u>2007</u>	<u>2006</u>	<u>2005</u>
Revenue	\$2,494,555	\$2,301,676	\$2,485,269
Net Income/(Loss)	(228,881)	(481,934)	(127,192)
Basic and Diluted Income/(Loss) per share	(0.02)	(0.02)	(0.01)
Total Assets	1,771,893	1,445,414	1,522,235
Total Long Term Liabilities	332,889	178,858	118,002
Cash Dividends declared per share	-	-	-

### Liquidity & Solvency

The Company has financed its operations to date primarily through the issuance of common shares, exercise of stock options and the sale of chalky geyselite to cement companies. The Company continues to seek capital through various means including the issuance of equity and/or debt.

The financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to deliver a satisfactory product, raise adequate financing and to lower production costs to realize overall corporate profitability in the future coupled with lower corporate expenses.

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Working capital (deficiency)	58,043	(380,858)
Deficit	13,784,688	13,555,807

As at December 31, 2007 the Company held \$114,327 (2006 - \$ 15,936) in cash assets and had a net loss for the year of \$228,881 (2006 - \$481,934). An additional factor causing the large loss for the year is the stock compensation expense of \$145,265.

Net cash used for investing activities for the year ended December 31, 2007 was \$137,076 compared to net cash used by investing activities of \$204,566 during the year ended December 31, 2006.

Financing activities provided cash of \$545,672 during the year ended December 31, 2007 compared to \$370,490 for the year ended December 31, 2006.

## Summary of Quarterly Results

	YEAR ENDED DECEMBER 31,							
	2007				2006			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	\$ 671,833	\$ 916,302	\$ 345,168	\$ 561,252	\$ 612,346	\$ 605,658	\$ 658,396	\$ 425,276
Net Income/(Loss)	\$ (38,063)	\$ 73,676	\$ (329,230)	\$ (11,390)	\$ (177,281)	\$ (106,822)	\$ (63,568)	\$ (143,263)
Basic and Diluted Income/(Loss) per share	\$ -	\$ -	\$ (0.01)	\$ -	\$ (0.01)	\$ -	\$ -	\$ (0.01)

## Capital Resources

The Company has sufficient funds to meet its operational expenses for 2008 and cover anticipated administrative expenses throughout the year. It will continue to focus on the chalky geyserrite production at its PEM100 Quarry site in Port Hardy and lowering administrative and production expenses.

## Off-Balance Sheet Arrangements

There is no off-balance sheet arrangements to which the Company is committed to as at December 31, 2007.

## Related Party Transactions

- The Company paid or accrued management fees of \$36,000 (December 31, 2006 - \$35,000) to an officer, the Corporate Secretary of the Company, as consulting fees.
- The Company paid or accrued management fees of \$34,375 (December 31, 2006 - \$30,000) to an officer, the CFO of the Company, as consulting fees.
- The Company paid or accrued management fees of \$55,150 (December 31, 2006 - \$75,000) to a company controlled by a Director for investor relations services.
- The Company accrued geological fees of \$94,850 (December 31, 2006 - \$52,550) to the Company's president that were included in Apple Bay exploration costs.
- The Company paid or accrued management fees of \$23,100 (December 31, 2006 - \$Nil) to the chairperson of the Company, as consulting fees.
- The Company paid or accrued directors fees performed by directors of \$9,000 (December 31, 2006 - \$Nil).
- Royalties totaling \$48,025 (December 31, 2006 - \$48,685) of general expenses, were paid or accrued to a company controlled by the President.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

## Fourth Quarter

The fourth quarter of 2007 had revenues of \$671,833 (2006 - \$612,346) which is comparable to the previous year in the same quarter. Costs of sales for the fourth quarter were \$591,571 compared to same quarter ended in 2006 of \$564,880.

## Proposed Transactions

The Company may be required to raise further capital in order to meet all financial obligations for future periods. The Company may raise the required capital through private placement offerings of its securities.

## Critical Accounting Estimates

Management regularly assesses the resource properties for impairment. As at December 31, 2007, an impairment provision of \$3,408 was entered for the Alberta Iron property due to restricted access.

## **Changes in Accounting Policies**

Effective January 1, 2007, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants (CICA) under the CICA Handbook Section 1530, Comprehensive Income, Section 3251, Equity, Section 3855, Financial Instruments – Recognition and Measurement, Section 3861 Financial Instruments – Disclosure and Presentation and Section 3865, Hedges. These new Handbook Sections, which apply to fiscal years beginning on or after October 1, 2006, provide requirements for the recognition and measurement of financial instruments and on the use of hedge accounting. Section 1530 establishes standards for reporting and presenting comprehensive income which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income but that are excluded from net income calculated in accordance with generally accepted accounting principles.

Under Section 3855, all financial instruments are classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments are initially measured in the balance sheet at fair value. Subsequent measurements and changes in fair value will depend on their initial classification. Held-for-trading financial assets and liabilities are measured at fair value and changes in fair value are recognized into net income. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income. Loans and receivables, held-to-maturity instruments and other financial liabilities, are measured at amortized cost.

As a result of the adoption of these new standards, the Company has classified its deposits as available-for-sale financial assets. Accounts payable and accrued liabilities, loan payable and amounts due to related parties are classified as other liabilities, which are measured at amortized cost. There is no impact on the Company's statement of earnings or retained earnings as at January 1, 2007.

## **Financial Instruments**

The Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities, and amounts due to related parties. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

## **Share Data**

### ***4. As at December 31, 2007***

- a) Authorized share capital: Unlimited common shares without par value and unlimited number of class A preference shares without par value;
- b) Shares issued and outstanding: 32,905,774 common shares; Share capital: \$14,134,122;
- c) 1,570,522 options are outstanding December 31, 2007 with a weighted average price of \$0.10 per share, and 4,926,667 warrants at an average price of \$0.20 per share.

## **Subsequent Events**

- Payment of \$216,467 for Barge Load #86 was received in January 2008.
- On January 7<sup>th</sup>, 2008, the Company acquired the Blackwater Perlite deposit on Graham Island, B.C.
- On March 26, 2008, 62,500 warrants were exercised for proceeds of \$7,500.
- On March 27, 2008, 470,522 options were exercised for proceeds of \$47,522.
- On March 14, 2008, Salman Jamal resigned as a director, bringing the director number to 4.
- On April 9, 2008, 125,000 warrants were exercised for proceeds of \$15,000.

## **Outlook**

The Company's continuing focus will be on sustained production of chalky geyselite at the PEM100 Quarry in Port Hardy. The possible development of a docking port located on the west side of the island will contribute to the reduction of hauling cost for the product. The Company is also working with its major customer in pricing of the chalky geyselite to facilitate the sharing of administrative costs. Based on results of current production and new product development, the Company remains confident that production will be met for all outstanding orders.

## **Corporate Governance**

The Company's Board of Directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders.

The current Board of Directors is comprised of four individuals, two of whom are neither an officer nor employee of the Company and are unrelated and independent from Management. The audit committee is comprised of three directors, one of whom is independent from management.

The audit committee fulfills its role of ensuring the integrity of the reported information through its review of the interim and audited financial statements prior to their submission to the Board of Directors for approval. The audit committee meets with management quarterly to review the financial statements including the MD&A and to discuss other financial, operating and internal control matters.

## **Controls and Procedures**

Disclosure controls and procedures ('DC&P') are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized and reported within the time periods specified by securities regulations and that information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting ('ICFR') are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles.

TSX Venture listed companies are not required to provide representations in the 2007 annual filings relating to the establishment and maintenance of DC&P and ICFR, as defined in Multinational Instrument MI 52-109. In particular, the CEO and CFO certifying officers do not make any representations relating to the establishment and maintenance of (a) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation, and (b) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP. The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in their certificates regarding absence of misrepresentations and fair disclosure of financial information. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in MI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

## **Caution Regarding Forward-looking Information**

Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements.

Additional information related to the Company available for view on SEDAR at [www.sedar.com](http://www.sedar.com).