

ELECTRA GOLD LTD.

FINANCIAL STATEMENTS

DECEMBER 31, 2006 and 2005

(Expressed in Canadian Dollars, unless otherwise noted)



AUDITORS' REPORT

To the Shareholders of
Electra Gold Ltd.

We have audited the balance sheet of Electra Gold Ltd. as at December 31, 2006 and the statements of operations and deficit, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements as at December 31, 2005, and for the year ended December 31, 2005 were audited by other auditors who expressed an opinion without reservation on those statements in their report dated April 11, 2006.

Vancouver, Canada

April 12, 2007

"Morgan & Company"

Chartered Accountants

ELECTRA GOLD LTD.

BALANCE SHEETS

(Expressed in Canadian Dollars, unless otherwise noted)

	DECEMBER 31	
	2006	2005
ASSETS		
Current		
Cash	\$ 15,936	\$ 186,874
Accounts receivable	156,703	154,320
GST receivable	48,495	17,877
Inventory	52,500	52,500
	<u>273,634</u>	<u>411,571</u>
Reclamation Bond (Note 3)	160,000	50,000
Equipment (Note 4)	332,782	424,553
Mineral Properties (Note 5)	678,998	636,112
	<u>678,998</u>	<u>636,112</u>
	<u>\$ 1,445,414</u>	<u>\$ 1,522,236</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 238,714	\$ 226,662
Loan payable (Note 6)	315,430	467,773
Due to related parties (Note 7)	100,348	99,895
	<u>654,492</u>	<u>794,330</u>
Royalties Payable (Note 8)	178,858	118,002
	<u>833,350</u>	<u>912,332</u>
SHAREHOLDERS' EQUITY		
Share Capital (Note 9)	13,612,772	13,233,589
Contributed Surplus (Note 9)	555,099	450,188
Deficit	(13,555,807)	(13,073,873)
	<u>612,064</u>	<u>609,904</u>
	<u>\$ 1,445,414</u>	<u>\$ 1,522,236</u>

Approved on behalf of the Board of Directors:

"Johan Shearer"
Director

"A. Salman Jamal"
Director

The accompanying notes are an integral part of these financial statements.

ELECTRA GOLD LTD.

STATEMENTS OF OPERATIONS AND DEFICIT

(Expressed in Canadian Dollars, unless otherwise noted)

	YEARS ENDED DECEMBER 31	
	2006	2005
Sales	\$ 2,301,676	\$ 2,485,269
Cost Of Sales		
Cost of production	1,819,757	1,880,619
Royalties	214,780	269,854
Depletion	21,680	22,214
	<u>2,056,217</u>	<u>2,172,687</u>
Gross Profit	<u>245,459</u>	<u>312,582</u>
Expenses		
Amortization	121,771	62,896
Consulting, financing and investment relations fees	357,606	134,517
Filing fees	37,209	16,110
Management fees	50,250	48,600
Office and general	88,510	66,716
Professional fees	42,871	41,262
Property investigation expenses	-	12,916
Stock based compensation	104,911	85,917
	<u>803,128</u>	<u>468,934</u>
Other Income		
Insurance claim proceeds	30,881	-
	<u>30,881</u>	<u>-</u>
Loss Before Income Taxes	<u>(526,788)</u>	<u>(156,352)</u>
Future Income Taxes Recovered	<u>44,854</u>	<u>29,160</u>
Net Loss For The Year	<u>(481,934)</u>	<u>(127,192)</u>
Deficit, Beginning Of Year	<u>(13,073,873)</u>	<u>(12,946,681)</u>
Deficit, End Of Year	<u>\$ (13,555,807)</u>	<u>\$ (13,073,873)</u>
Basic And Diluted Loss Per Share	<u>\$ (0.02)</u>	<u>\$ (0.01)</u>
Weighted Average Number Of Shares Outstanding	<u>25,266,724</u>	<u>20,587,508</u>

The accompanying notes are an integral part of these financial statements.

ELECTRA GOLD LTD.

STATEMENTS OF CASH FLOWS

(Expressed in Canadian Dollars, unless otherwise noted)

	YEARS ENDED DECEMBER 31	
	2006	2005
Cash Flow (Used In) Operating Activities		
Net loss for the year	\$ (481,934)	\$ (127,192)
Non cash expenses:		
Amortization	121,771	62,896
Accrued interest on loan payable	-	35,837
Accrued royalties	60,856	60,302
Depletion	21,680	22,214
Future income taxes recovered	(44,854)	(29,160)
Loan repayment deducted from accounts receivable	(152,343)	(85,915)
Stock issued for finance fee	-	21,120
Stock based compensation	104,911	95,105
Changes in non-cash operating assets and liabilities:		
(Increase) decrease in receivables	(33,001)	68,914
Increase (decrease) in accounts payable and accrued liabilities	66,052	(156,144)
	(336,862)	(32,023)
Cash Flows (Used In) Investing Activities		
Acquisition of equipment	(30,000)	-
Acquisition of mineral properties	(64,566)	(40,700)
Reclamation bond	(110,000)	-
	(204,566)	(40,700)
Cash Flows Provided By (Used In) Financing Activities		
Advances from (repayments to) related parties	453	(19,368)
Proceeds from share issuances	370,037	221,000
	370,490	201,632
(Decrease) Increase In Cash	(170,938)	128,909
Cash, Beginning Of Year	186,874	57,965
Cash, End Of Year	\$ 15,936	\$ 186,874
Cash Paid During The Year For Interest	\$ 30,229	\$ 35,837
Cash Paid During The Year For Income Taxes	\$ -	\$ -

Supplemental Disclosure - Non- Cash Investing and Financing Activities

The Company issued 675,000 (2005 – 975,334) shares in exchange for debts in the amount of \$54,000 (2005 - \$252,047).

The accompanying notes are an integral part of these financial statements.

ELECTRA GOLD LTD.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2006 and 2005

(Expressed in Canadian Dollars, unless otherwise noted)

1. NATURE OF OPERATIONS, ECONOMIC DEPENDENCE AND GOING CONCERN

Electra Gold Ltd. (the "Company") is a mining company, specializing in the development of and exploration for industrial minerals used in the cement industry. The Company was incorporated in the Province of British Columbia on December 1, 1981 as a result of the amalgamation of Electra Mining Corporation and Pacific North West Resources Ltd.

The Company is in the process of mining the Apple Bay mineral properties located on Vancouver Island near Port Hardy, British Columbia. The Company's entire mineral production in 2006 was sold to one customer (2005 – 98%) (the "Customer"). In addition, a 62% of cost of sales (2005 - 66%) was performed by a private company owned by a shareholder of the Company. The mineral claims are also located on crown land within the traditional territory of a first nation band. The Company's operations are exposed to the financial and operating risks of these business partners.

The Company is also in the process of exploring other industrial mineral properties and is considered to be an exploration company. The recoverability of the amounts shown for these other mineral exploration properties is dependent on the existence of economically recoverable reserves on these properties.

These 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 Company has incurred losses since inception and has a working capital deficiency of \$380,858 as at December 31, 2006. The Company's ability to continue as a going concern is dependant upon its ability to obtain continued credit and operational support from its operational partners and management. Management plans to obtain increased net cash inflow from Customer revenues, additional customers for its products, lower operating costs, and share capital financing from shareholders and new investors. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Presentation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") as prescribed by The Canadian Institute of Chartered Accountants ("CICA").

ELECTRA GOLD LTD.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2006 and 2005

(Expressed in Canadian Dollars, unless otherwise noted)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the periods then ended. Actual results could differ from those estimates.

Significant areas requiring the use of management estimates relate to the determination of impairment of assets, the remaining mine life used to calculate the annual depletion of capitalized costs, and the carrying values of amounts due to related parties and royalties payable. Management reviews significant estimates on a periodic basis and, where necessary, makes adjustments prospectively.

c) Financial Instruments

The Company's financial instruments consist of cash, accounts receivable, reclamation bond, accounts payable, loan payable, amounts due to related parties and royalties payable. Unless otherwise noted, the Company is not exposed to significant interest or credit risks arising from these financial instruments and the fair values of these financial instruments approximate their carrying values.

The Company's functional currency is the Canadian dollar. There is no significant foreign exchange risk to the Company. The Company does not engage in any form of derivative or hedging instruments.

d) Foreign Currency Translation

Foreign currency monetary assets and liabilities are translated into the Canadian dollar reporting currency at the rate of exchange at the balance sheet date. Non-monetary assets, liabilities and equity balances are translated at historical translation rates. Revenues and expense transactions are translated at the exchange rate in effect during the transaction period. Exchange gains and losses are included in the statement of operations.

e) Revenue Recognition

Sales are recognized and recorded at agreed prices, when title transfers, and the rights and obligations of ownership pass to the customer and collection is reasonably assured.

ELECTRA GOLD LTD.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2006 and 2005

(Expressed in Canadian Dollars, unless otherwise noted)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Inventory

Inventory is recorded at the lower of cost and net realizable value. Inventory consists of ore that has been extracted and hauled to the crushing and loading facility.

g) Equipment

Equipment is recorded at cost and amortized over the estimated useful lives of the respective items using the declining balance method at rates of 20% to 30% per year.

h) Mineral Properties

Mineral properties comprise acquisition costs including option payments to maintain mineral property titles in good standing and exploration costs directly incurred on the properties. The Company records its interest in mineral properties and related expenditures at cost or at an ascribed amount if the consideration is common shares, less option payments received. From time to time, the Company acquires or sells property interests pursuant to the terms of option agreements. As options are exercisable entirely at the discretion of the optionee, the related amounts are recorded upon payment or receipt. Exploration expenditures are capitalized until the properties are sold, abandoned or brought into production. Capitalized costs related to sold or abandoned properties are written off in the period of sale or abandonment. Capitalized costs related to producing properties are amortized to production on the unit-of-production method, based upon the depletion of estimated production capacity.

i) Long-Lived Assets

Long-lived assets include equipment and mineral properties. Long-lived assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. Carrying amounts are written off to the extent capitalized costs exceed expected undiscounted future net cash flows.

ELECTRA GOLD LTD.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2006 and 2005

(Expressed in Canadian Dollars, unless otherwise noted)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Asset Retirement Obligations

The Company is required to recognize a liability for an asset retirement obligation on long-lived assets when a legal liability exists and the amount of the liability is reasonably determinable. Asset retirement obligations are calculated on discounted future payment estimates and the liability is accreted over the expected term of the obligation. Subsequent adjustments are made on a prospective basis when there are changes to the underlying assumptions. Corresponding amounts and adjustments are added to the carrying value of the related long-lived asset and amortized or depleted to operations in accordance with accounting policy. As at December 31, 2006 and 2005 the Company has no legal obligation for reclamation and remediation costs.

k) Share Capital

- i) Shares, agent's warrants, stock options and other equity instruments issued in non-monetary transactions are recorded at fair value determined by management using the Black-Scholes option pricing model.**
- ii) Compensatory stock option transactions with directors, officers, employees and outside consultants are charged to operations or capitalized to mineral properties with an offsetting credit to contributed surplus. Stock options which vest immediately are recorded at the date of grant. Stock options that vest over time are valued at the grant date and recorded using the straight line method over the vesting period. Consideration received on the exercise of stock options together with the related portion previously recorded in contributed surplus is credited to share capital.**
- iii) Costs directly identifiable with the raising of share capital financing are charged against share capital. Share issuance costs incurred in advance of share subscriptions are recorded as prepaid expenses. Share issuance costs related uncompleted share subscriptions are charged to operations.**

l) Income Taxes

The Company follows the future income tax asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are recognized based on the estimated tax effects of temporary differences in the carrying value of assets and liabilities in the financial statements and their respective tax bases, using income tax rates substantively enacted on the balance sheet date. The effect of a change in income tax rates on the future income tax assets and liabilities is recognized in net earnings in the period of the change. A valuation allowance is provided to the extent that it is more likely than not that future income tax benefits will not be realized.

ELECTRA GOLD LTD.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2006 and 2005

(Expressed in Canadian Dollars, unless otherwise noted)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

m) Flow-Through Shares

Resource expenditure deductions for Canadian income tax purposes related to Canadian exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. The Company follows the accounting prescribed by the CICA Emerging Issues Committee (EIC) in EIC-146 "Flow-through Shares". On the date the expenditures are renounced, a future income tax liability and a corresponding reduction in the share capital is recorded. The future income tax liability is offset by available future income tax assets and the Company records the future income tax benefit in the statement of operations as a recovery of future income taxes otherwise payable.

n) Earnings Per Share

Basic earnings per share are calculated by dividing net income (loss) by the weighted average number of shares issued and fully paid. The calculations of earnings per share on a diluted basis are calculated using the treasury stock method which considers the potential exercise of outstanding financial instruments with equity purchase or conversion features. Basic and diluted (loss) per share are equal as the assumed conversion of equity instruments would be anti-dilutive.

o) Variable Interest Entities

The CICA issued Accounting Guideline 15, "Consolidation of Variable Interest Entities", to provide accounting guidance related to variable interest entities ("VIE"). A VIE exists when the entity's equity investment is at risk. When a VIE is determined to exist the guidance requires the VIE to be consolidated by the primary beneficiary. The Company has determined that it does not have a primary beneficiary interest in VIEs.

p) Comparative Amounts

Certain comparative financial statement amounts have been reclassified to conform to the presentation adopted in the current year.

ELECTRA GOLD LTD.

NOTES TO FINANCIAL STATEMENTS

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(Expressed in Canadian Dollars, unless otherwise noted)

3. RECLAMATION BOND

During the year ended December 31, 2004, the Company provided a \$50,000 irrevocable letter of credit as a condition of approval to a Work System and Reclamation Program Permit issued by B.C. Ministry of Energy and Mines. The Company secured the letter of credit by placing a \$50,000 term deposit with its bank and received the Permit on April 8, 2004 which permitted the Company to mine 110,000 tonnes of product. As a condition of obtaining the permit, the Company agreed to post additional security at the rate of \$1.00 per tonne mined in 20,000 tonne increments up to 110,000 tonnes. The Company is also subject to certain other operational inspections.

4. EQUIPMENT

	2006		
	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE
Computer equipment	\$ 8,288	\$ 6,223	\$ 2,065
Trailers	139,332	43,572	95,760
Trucks	376,327	141,370	234,957
	<u>\$ 523,947</u>	<u>\$ 191,165</u>	<u>\$ 332,782</u>
	2005		
	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE
Computer equipment	\$ 8,288	\$ 5,338	\$ 2,950
Trailers	109,332	23,382	85,950
Trucks	376,327	40,674	335,653
	<u>\$ 493,947</u>	<u>\$ 69,394</u>	<u>\$ 424,553</u>

ELECTRA GOLD LTD.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2006 and 2005

(Expressed in Canadian Dollars, unless otherwise noted)

5. MINERAL PROPERTIES

	2006					
	BALANCE BEGINNING OF YEAR	ACQUISITION COSTS	CAPITALIZED EXPENDITURES	OPTION PAYMENT	ACCUMULATED DEPLETION	BALANCE END OF YEAR
Apple Bay	\$ 536,112	\$ -	\$ 52,551	\$ (40,000)	\$ (21,680)	526,983
Hankin Pt.	50,000	-	-	-	-	50,000
Lang Bay	50,000	-	48,607	-	-	98,607
Alberta Iron	-	3,408	-	-	-	3,408
Total	\$ 636,112	\$ 3,408	\$ 101,158	\$ (40,000)	\$ (21,680)	\$ 678,998

	2005					
	BALANCE BEGINNING OF YEAR	ACQUISITION COSTS	CAPITALIZED EXPENDITURES	OPTION PAYMENT	ACCUMULATED DEPLETION	BALANCE END OF YEAR
Apple Bay	\$ 517,626	\$ -	\$ 60,700	\$ (20,000)	\$ (22,214)	\$ 536,112
Hankin Pt.	50,000	-	-	-	-	50,000
Lang Bay	50,000	-	-	-	-	50,000
Total	\$ 617,626	\$ -	\$ 60,700	\$ (20,000)	\$ (22,214)	\$ 636,112

a) Apple Bay

The Company signed lease and sublease agreements dated September 30, 2002 with a director and an officer of the Company, a company controlled by this individual and an unrelated party. Pursuant to the agreements, the Company leased the mineral rights to the Apple Bay property located near Port Hardy on Vancouver Island for an initial term expiring February 7, 2031. In consideration, the Company issued 3,000,000 shares at \$0.10 per share and agreed to pay two royalties to each of the related and unrelated parties which total \$1.00 per metric tonne of industrial product sold on the property. The Company may purchase one half of each of the royalties for \$500,000. Both royalty holders have provided a right of first refusal to the Customer to purchase these royalties. The Company also agreed to spend \$100,000 in exploration expenditures during the first year of the agreement (spent) and an aggregate of \$300,000 within five years. The Company will also pay a 3% net smelter returns royalty ("NSR") for all base and precious metals produced from the property.

Pursuant to an agreement dated June 25, 2003, the Company purchased additional Apple Bay claims from a director and an officer of the Company, for \$13,140 which represented the related party's carrying cost plus a 0.5% NSR on all base and precious metals produced from the property.

ELECTRA GOLD LTD.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2006 and 2005

(Expressed in Canadian Dollars, unless otherwise noted)

5. MINERAL PROPERTIES (Continued)

a) Apple Bay (Continued)

The Company entered into an agreement dated February 3, 2005 with a company for the exploration development and mining of base and precious mineral resources within the Apple Bay property. The company 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, was granted the right to explore certain of the company's mineral claims for non-metallic industrial minerals. In 2006, the Company received a payment of \$40,000 (2005 - \$20,000) pursuant to the agreement.

b) Hankin Point

On April 11, 2003, the Company purchased 100% of the interest in the Hankin Point and Coal Harbor claims from a director and an officer of the Company and a company controlled by this individual, all of which are situated in the Nanaimo Mining Division, British Columbia. In consideration, the Company issued 500,000 shares at \$0.10 per share, which is the exchange amount agreed to by the related parties and agreed to a royalty equal to \$0.60 for each metric tonne of limestone produced or removed from the claims.

c) Lang Bay

On June 25, 2003, the Company acquired the Lang Bay claims from directors of the Company in exchange for 500,000 shares at \$0.10 per share, which is the exchange amount agreed to by the related parties. These claims are located approximately 15 kilometers south east of Powell River, British Columbia.

d) Alberta Iron

On April 26, 2006 the Company acquired the Alberta Iron claims from the president of the Company for the reimbursement of staking costs in the amount of \$3,408.

6. LOAN PAYABLE

On April 1, 2004 the Company entered in to a five year agreement with the Customer to finance the purchase of equipment in the amount of \$518,124 for the Apple Bay mining operation. The equipment is secured by a note payable bearing interest at 8% per year and is repayable from sales to the Customer at the rate of \$1.50 per tonne. As of December 31, 2006, the Company owed \$315,430 (2005 - \$467,773) under this loan facility.

ELECTRA GOLD LTD.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2006 and 2005

(Expressed in Canadian Dollars, unless otherwise noted)

7. DUE TO RELATED PARTIES AND RELATED PARTY TRANSACTIONS

The Company acquired and leased mineral properties from related parties as disclosed in the mineral properties note and issued shares for indebtedness as disclosed in the share capital note.

- a) At December 31, 2006, a total of \$100,348 (2005 - \$99,895) was due to a director and an officer of the Company and a company controlled by this individual for fees, royalties and expenses. The amounts due are unsecured, non-interest bearing and bear no fixed terms of repayment.
- b) The Company incurred and capitalized geological and consulting fees performed by a director and an officer of the Company in the amount of \$77,700 (2005 - \$60,700) and incurred royalties totaling \$48,645 (2005 - \$75,134) with a company controlled by this individual. These amounts were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

8. ROYALTIES PAYABLE

The Company entered into an agreement dated August 20, 2003 with a first nation band which grants the Company the exclusive right to mine certain claims over the term of the agreement expiring June 30, 2013. A royalty of \$1.00 per metric tonne of ore mined is payable. Payment for one half of the royalty is deferred until production exceeds 200,000 metric tonnes in a calendar year. As at December 31, 2006, an amount of \$178,858 (2005 - \$118,002) is owing under this deferral arrangement and as production is not budgeted to reach 200,000 tonnes for the year ending December 31, 2007, the amount has been classified as a long term liability.

ELECTRA GOLD LTD.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2006 and 2005

(Expressed in Canadian Dollars, unless otherwise noted)

9. SHARE CAPITAL

a) Authorized

Unlimited number of common shares without par value

Unlimited number of class A preference shares without par value

b) Issued

	COMMON SHARES	SHARE CAPITAL	CONTRIBUTED SURPLUS	TOTAL
Balance, December 31, 2004	19,427,251	\$ 12,766,374	\$ 352,291	\$ 13,118,665
Shares issued in settlement of debt	975,334	252,047	-	252,047
Issued for cash				
Private placement at \$0.08 per share	1,637,500	131,000	-	131,000
Private placement at \$0.08 per share	1,250,000	100,000	-	100,000
Finders' fees for private placements				
Cash	-	(10,000)	-	(10,000)
Agent's warrants	-	(4,792)	4,792	-
Exercise of stock options in settlement of debt	50,000	7,000	(2,000)	5,000
Shares issued for finance fees	176,000	21,120	-	21,120
Tax benefits renounced	-	(29,160)	-	(29,160)
Stock based compensation	-	-	95,105	95,105
Balance, December 31, 2005	23,516,085	13,233,589	450,188	13,683,777
Issued for cash				
Private placement at \$0.12 per unit	1,876,667	225,200	-	225,200
Exercise of warrants at \$0.10	662,500	66,250	-	66,250
Exercise of stock options at \$0.10	285,261	28,527	-	28,527
Exercise of stock options at \$0.15	30,000	4,500	-	4,500
Private placement at \$0.08 per unit	750,000	60,000	-	60,000
Shares issued in settlement of debt	675,000	54,000	-	54,000
Tax benefits renounced	-	(44,854)	-	(44,854)
Stock based compensation	-	-	104,911	104,911
	27,795,513	13,627,212	555,099	14,182,311
Share subscriptions receivable	-	(14,440)	-	(14,440)
Balance, December 31, 2006	27,795,513	\$ 13,612,772	\$ 555,099	\$ 14,167,871

Year Ended December 31, 2006

- i) On May 4, 2006, the Company issued 1,876,667 share capital units at a price of \$0.12 a unit pursuant to a non-brokered private placement for total proceeds of \$225,200. Each unit consists of one share and one share purchase warrant. The warrants are exercisable for two years from the date of grant at \$0.20 per share in the first year and \$0.30 per share in the second year. As at December 31, 2006, \$14,440 of the proceeds was not fully paid.

ELECTRA GOLD LTD.

NOTES TO FINANCIAL STATEMENTS

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(Expressed in Canadian Dollars, unless otherwise noted)

9. SHARE CAPITAL (Continued)

Year Ended December 31, 2006 (Continued)

- ii) On December 14, 2006, the Company issued 750,000 share capital units at a price of \$0.08 a unit pursuant to a non-brokered private placement for total proceeds of \$60,000. Each unit consists of one share and one share purchase warrant. The warrants are exercisable for one year from the date of grant at \$0.10 per share.
- iii) On December 14, 2006, the Company issued 675,000 shares at \$0.08 per share for the settlement of \$54,000 of indebtedness pursuant to a debt settlement agreement with a director and an officer of the Company.

Year Ended December 31, 2005

- iv) On January 24, 2005, the Company issued 975,334 shares for the settlement of \$252,047 of indebtedness pursuant to debt settlement agreements with a director and a company controlled by a director.
- v) On November 28, 2005, the Company issued 1,637,500 flow-through share capital units at \$0.08 per unit pursuant to a private placement for total proceeds of \$131,000. Each flow-through unit consisted of one flow-through share and a share purchase warrant. The warrants are exercisable for one year from the date of grant at \$0.10 per share.
- vi) On December 15, 2005, the Company issued 1,250,000 share capital units at a price of \$0.08 a unit pursuant to a private placement for total proceeds of \$100,000. Each unit consists of one share and one share purchase warrant. A finders' fee of \$10,000 in cash was paid and 125,000 agent's share purchase warrants were issued at a fair value of \$4,792. The warrants are exercisable for one year from the date of grant at \$0.10 per share.
- vii) During the year ended December 31, 2005, the Company issued 50,000 shares pursuant to the exercise of stock options for non-cash consideration at \$0.10 per share for the settlement of \$5,000 of indebtedness with a director of the Company.
- viii) During the year ended December 31, 2005, the Company issued 176,000 shares at \$0.12 per share as non-cash finance fee consideration for security provided by directors, officers and other unrelated parties on the Company's reclamation bond.

ELECTRA GOLD LTD.

NOTES TO FINANCIAL STATEMENTS

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(Expressed in Canadian Dollars, unless otherwise noted)

9. SHARE CAPITAL (Continued)

c) Stock Options

The Company maintains a stock option plan for directors, officers, employees and consultants and may issue share purchase options up to 10% of the issued share capital of the Company at the market price of the Company's shares on the date of grant. The options can be granted for a maximum term of 5 years and vesting is determined by the directors.

The following table summarizes the Company's stock option activity during the years ended December 31, 2006 and 2005. The options issued vested immediately and have a two year term. The remaining weighted average life of outstanding options at December 31, 2006 is 1.49 years (2005 – 1.08 years).

	2006		2005	
	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding, beginning of year	1,550,000	\$ 0.10	1,350,000	\$ 0.10
Granted	1,070,522	0.14	1,550,000	0.10
Exercised	(315,261)	0.10	(50,000)	0.10
Expired	(414,739)	0.10	(1,300,000)	0.10
Outstanding, end of year	1,890,522	\$ 0.12	1,550,000	\$ 0.10

The following tables summarize the Company's stock options outstanding at December 31, 2006 and 2005:

2006		
NUMBER	EXERCISE PRICE	EXPIRY DATE
850,000	\$ 0.10	April 27, 2007
440,522	\$ 0.15	March 27, 2008
100,000	\$ 0.20	July 18, 2008
100,000	\$ 0.25	July 18, 2008
400,000	\$ 0.08	December 12, 2008
1,890,522		

ELECTRA GOLD LTD.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2006 and 2005

(Expressed in Canadian Dollars, unless otherwise noted)

9. SHARE CAPITAL (Continued)

c) Stock Options (Continued)

NUMBER	EXERCISE PRICE	EXPIRY DATE
500,000	\$ 0.10	November 1, 2006
400,000	\$ 0.10	January 6, 2007
200,000	\$ 0.12	April 15, 2007
450,000	\$ 0.10	April 17, 2007
1,550,000		

Stock Based Compensation

Total stock based compensation recognized in the year was \$104,911 (2005 - \$95,105, including \$9,188 for consulting and financing fees) based on a risk free interest rate of 4.09% (2005 – 3.47%), an expected life of 1.56 years (2005 – 1.08), expected volatility of 93% (2005 – 200%) and a dividend yield rate of \$nil for both years.

d) Share Purchase Warrants

The following table summarizes the Company's share purchase warrant activity during the years ended December 31, 2006 and 2005.

	2006		2005	
	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding, beginning of year	3,012,500	\$ 0.10	447,200	\$ 0.35
Granted at \$0.10 each	750,000	0.10	-	-
Granted at \$0.20 each	1,876,667	0.20	3,012,500	0.10
Exercised	(662,500)	0.10	-	0.10
Expired	(2,350,000)	0.10	(447,200)	0.35
Outstanding, end of year	2,626,667	\$ 0.17	3,012,500	\$ 0.10

ELECTRA GOLD LTD.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2006 and 2005

(Expressed in Canadian Dollars, unless otherwise noted)

9. SHARE CAPITAL (Continued)

c) Share Purchase Warrants (Continued)

The following tables summarize the Company's warrants outstanding for the years ended December 31, 2006 and 2005.

2006		
NUMBER	EXERCISE PRICE	EXPIRY DATE
1,876,667	\$ 0.20	May 4, 2007
750,000	\$ 0.10	December 20, 2007
2,626,667		

2005		
NUMBER	EXERCISE PRICE	EXPIRY DATE
1,637,500	\$ 0.10	November 28, 2006
1,375,000	\$ 0.10	December 15, 2006
3,012,500		

10. INCOME TAXES

A reconciliation of income taxes at statutory rates with reported taxes is as follows:

	2006	2005
Rate	34%	34%
Income tax recovery at statutory rates	\$ (180,372)	\$ (53,300)
Stock based compensation	35,922	39,600
Unrecognized (recognized) future income tax assets	99,596	(15,460)
Future income taxes recovered	\$ (44,854)	\$ (29,160)

ELECTRA GOLD LTD.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2006 and 2005

(Expressed in Canadian Dollars, unless otherwise noted)

10. INCOME TAXES (Continued)

The significant components of the Company's net future income tax assets and liabilities are as follows:

	<u>2006</u>	<u>2005</u>
Exploration and development deductions	\$ 349,000	\$ 385,000
Non-capital losses carried forward	273,000	204,000
Other temporary differences	<u>64,000</u>	<u>23,000</u>
Total future tax assets	686,000	612,000
Valuation allowance	<u>(686,000)</u>	<u>(612,000)</u>
Net future income tax assets	<u>\$ -</u>	<u>\$ -</u>

As at December 31, 2006 the Company's significant future income tax assets and liabilities comprise:

- a) Non-capital losses carried forward of approximately \$799,000 which may be used to reduce future taxable income, and expire between fiscal 2007 and 2026.
- b) Canadian and foreign acquisition, exploration and development expenses amounting to approximately \$1,700,000 which may be used indefinitely to offset future taxable income.

The Company is committed to spending flow-through share proceeds in the amount of approximately \$30,000 by March 31, 2008.

11. SEGMENTED INFORMATION

The Company currently conducts substantially all of its operations in Canada in one business segment, being the mining of industrial mineral properties.

12. SUBSEQUENT EVENT

On April 11, 2007, the Company announced the private placement of 1,250,000 flow-through share capital units at \$0.08 per unit. Each unit comprises one flow-through share and one share purchase warrant entitling the investors to purchase one additional flow-through share at \$0.08 per share exercisable for a period of one year, from the date of issue.