

Sustainability key to long-term success

Electra Gold leads ethical revolution in mining

"I discovered in the late 1980s, when I became part of the 'Mining for Miracles' campaign, that my true passion was serving my community. Through my relationship with some very special people in the mining community, I became dedicated to ethics in the workplace. This has led Electra Gold to a commitment to our entire community to change the manner in which mining companies do business."

Doug Stelling, Chairman & CEO, Electra Gold Ltd.

Electra Gold Ltd. has set out to build a resource exploration, development and production company on uncommonly sound financial and ethical foundations. It is a junior mining company that operates with two keys to meet this goal. First, it has cash flow projects from which it can fund further production, exploration and development. Second, it has a strong set of governing principles relating to environmental and community responsibility.

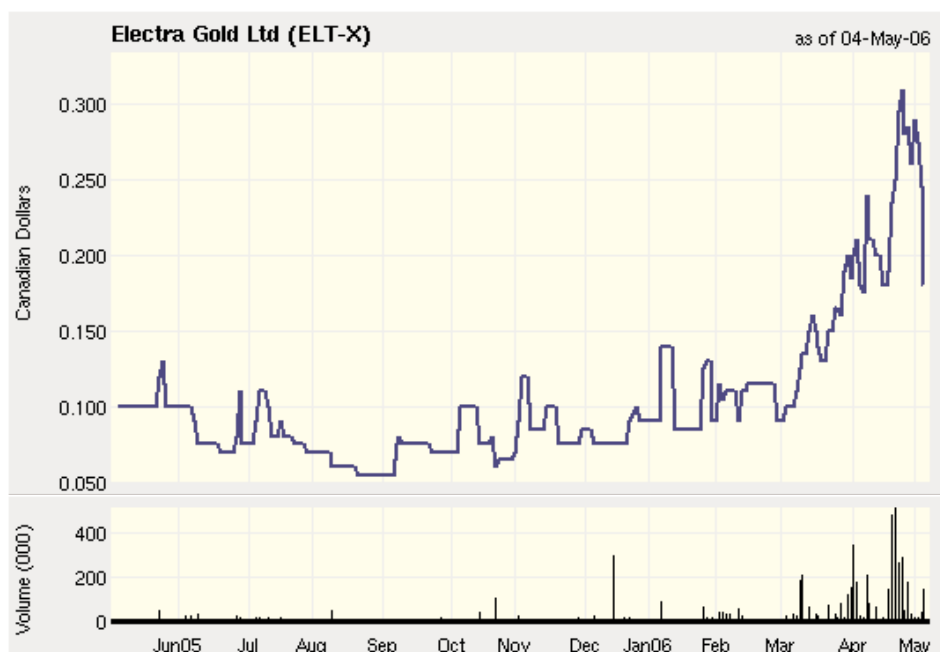
While the consensus among resource sector investors remains upbeat against the backdrop of a resource bull market, individual investors need to be selective as ever about the juniors they choose to participate in.

One of the factors we look for in any junior resource company is cash flow. Too often you

see venture class mineral companies lose their best properties because they never create internal sources of funds. They continually return to the public market to fund development. The problem is, if for some reason fortunes turn against these companies they may have no choice but to give up ownership, at least in part, in their best prospects.

On the other hand, a junior exploration and development company that does have cash flow can hold onto ownership and better control the development agenda, as well as accumulate properties in a downturn and consolidation phase.

Of course, not too many juniors ever do get cash flow, so when we do see one that already has it we are inclined to take a closer look.



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Electra Gold Ltd. (TSX-V: ELT) owns industrial mineral properties that yield cash flow as a foundation for exploration and development of a range of resource opportunities. As such, the company offers investors the prospect of sustainable growth and the potential high-gain upside in a venture class common equity trading at a price that gives individual investors great leverage.

The company has now reported its eighth consecutive quarter of commercial production along with a 56 per cent increase in revenue for 2005 to \$2.5 million. Gross margins have tripled in 2005, a result of economies of scale as production has grown.

KAOLIN

In Georgia, they call it "white gold." Kaolin, a soft, white material composed of the clay mineral kaolinite, finds its way into scores of every day products from toothpaste to plastic milk containers.

Kaolin is one of several types of clay, and is commonly referred to as China Clay or Paper Clay. The term kaolin is derived from the Chinese word "Kau-ling", meaning high ridge, having reference to the locality from which the richest supplies were obtained. In Georgia, kaolin was first mined in Colonial days and shipped to England. The famous Wedgwood Pottery there used considerable amounts of clay from the colonies until the English mines were opened. This ended the mining in Georgia for over a century, until 1876, when mining resumed. Today, it is the state's leading mineral product. Georgia produces about 72 per cent of the total kaolin production of the United States.

Of the one and one-half million tons of kaolin produced annually in the United States, approximately 56 per cent goes to the paper industry, where it is used as a pulp-filler as well as for coating. Filling adds weight, opaqueness, and whiteness. Coating imparts high gloss. Some newspapers have kaolin content of about two per cent, while magazines with a relatively high gloss contain on the average of thirty per cent. With the advent of high-speed coating equipment, the production of paper clays increased to the extent that it has nearly doubled in the past ten years.

Rubber products consume about 16 per cent of the country's kaolin, with a major portion of the remainder going into such products as

linoleum, paints, inks, leather, refractories, and pottery. Within the past few years, kaolin has been used in insecticide, fertilizers, and plastics.

While British Columbia, Canada is known world wide for its forest products industry, including pulp and paper manufacturing, until Electra Gold came along there was no commercial source of kaolin in the province. As a result, local industry has had to import kaolin from Georgia, pushing up cost and hampering industry's competitive position.

The proximity of Electra's kaolinite deposits to the large pulp and paper industrial complexes in B.C. offers customers a potentially significant cost saving in terms of shipping a locally sourced product.

APPLE BAY

Electra Gold Ltd. has entered into two exclusive agreements, under which it has acquired industrial mineral and metal rights to one mining lease and a surrounding block of five contiguous mineral claims lying southwest of the town of Port Hardy on northern Vancouver Island in British Columbia. The total area covered is about 1,900 ha.

The property is considered prospective for kaolin, chalky geyserite, and gold and copper.

CHALKY GEYSERITE

The Apple Bay Project covers readily accessible silica and alumina resources within the PEM100 Quarry and to the northwest towards the Pemberton Hills. The general geyserite section within the quarry and adjacent areas consists of an approximately 20–35 m thick Lower Jurassic intensely silicified and clay altered rhyolite unit (flow banded and pyroclastic) above a lower, less altered rhyolitic breccia.

Based on indications from prior reports in the 1960s of siliceous rocks being tested for cement feedstock, claims were staked in the area in 1999 and followed by mapping and sampling and a 627 m, 24-hole diamond drilling program was completed in the general area of a former pit. Split core samples were analyzed by standard whole rock XRF, at the Tilbury cement plant in Delta, British Columbia.

With the results deemed encouraging in

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describing a cement feedstock, two bulk samples were extracted. The first sample was barged to the Tilbury cement plant in Delta, B.C. for a trial kiln test, the results of which were satisfactory. The second kiln trial, using the sample stockpiled in Port Hardy, will be carried out when a current plant operating constraint is resolved. The Lehigh Heidelberg Cement group, via their Monteith Bay Resources Ltd., has sponsored the program.

At the PEM100 Quarry, based on a computer generated, three-dimensional 10mx10mx5m block model from all the diamond drilling done to date, The drill indicated resources of Chalky Geyselite is 2.9 million tonnes with an average grade of 79.32 per cent SiO₂, 13.4 per cent Al₂O₃ and 7.78 per cent Fe₃O₄. The strip ratio for this tonnage is 0.2:1 (Nilsson, 2001). The company has also initiated diamond drilling at P170 and P190. There are a total of at least 10 separate, undeveloped chalky geyselite zones along the Belt from Apple Bay to Hushamu under the control of Electra Gold Ltd.

Based on exploration programs to date, Electra Gold has negotiated a five-year major contract with Ash Grove Cement and is currently in discussion with 2 other major cement producers in the Pacific Northwest. During the third quarter of 2005, two loads of geyselite were sent to the Seattle Cement Plant of Ash Grove Cement, which totaled 31,144.6 tonnes of product. A bulk sample of 2,200 tonnes of higher alumina chalky geyselite sent to LaFarge Cement Plant in Richmond B.C. on May 31, in the second quarter was processed by LaFarge the results are pending and discussions with LaFarge are ongoing.

LANG BAY

Electra Gold Ltd. has entered into an agreement under which it has acquired a block of mineral claims known to contain primary and secondary kaolin lying south-east of the town of Powell River in British Columbia. The total area covered is about 800 ha. Electra's focus is on the kaolin discoveries and development work of Lang Bay Resources Ltd in the 1980-90s. Following the 1988 discovery and confirmation of quality primary kaolin on the property an extensive exploration program of 62 core holes of 4 000 m in total led to the identification of large areas of kaolinisation. In one area near-surface secondary kaolins were found to overlie a large volume of primary kaolin.

Laboratory and industrial testing and trial market investigations identified the kaolins as filler and ceramic potential. Following paper making tests, Fletcher Challenge Canada Limited agreed to a 40 t Lang Bay kaolin filled newsprint run at their Elk Falls division on Vancouver island. The run and subsequent use of the newsprint in copies of the Vancouver Sun newspaper were described as a success. The kaolin feed for this trial was obtained from the primary kaolin within what are now Electra's claims, at a depth of 20-36 m below surface. A second and much larger trial was agreed to with Fletcher Challenge but despite permits being issued for an underground bulk sample, project delays arose and a resulting loss in momentum led to the project being stalled and the claims were eventually allowed to lapse.

With Electra's success in developing cement feedstock at their Apple Bay property on Vancouver Island, the secondary kaolins at Lang Bay could also provide another source of such mineral and at the same time open the access to the underlying primary kaolin. This suggests an order of sequence for strategic development.

A third element could be the Germanium which was the subject of exploration and development on the property in the 1960—70s. The claims are conveniently sited with regard to access to a town and its infrastructure as well as site access from logging roads and close access to water borne freight. Recommendations are made for an initial two-stage \$C100,000 program for identification of a cement feedstock resource area in the secondary kaolins and, separately, a \$C50,000 initial program on primary kaolin characterization and development and market investigations.

COPPER AND GOLD HAVE BEEN OPTIONED TO LUMINA COPPER

Lumina Copper has optioned Electra's gold and copper properties. ELT will receive payment of up to \$1.0 million from the deal.

Wide area exploration in the Apple Bay region in the 1960s led to the discovery of the Island Copper deposit 10 km to the east of the current Apple Bay claims. In 25 years, the mine yielded 1.4 million tonnes of copper, 34 tonnes of gold, 363 tonnes of silver, 35,000 tonnes of molybdenum and 28 tonnes of rhenium from an open pit, where the final depth was 400 m below sea level.

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A second notable mineral deposit is the Hushamu, lying adjacent to and west of the Apple Bay property, which is reported as a large area of low-grade copper-molybdenum of an historically estimated 283 million tonnes at a grade of 0.28 per cent copper, 342 parts per billion gold at a 0.20 per cent copper cut-offs. Between these areas, much of which is covered by the property, there are many documented cases of exploration findings of gold and copper.

INFRASTRUCTURE

The claims are conveniently sited with access to a town and its infrastructure as well as site access from logging roads and near access to water-borne freight.

The PEM100 Quarry is approximately 12 km west of the village of Coal Harbour and is not directly drained by major streams. Site investigations show some acid rock drainage (ARD) and metal leaching as well as elevated receiving water sampling, probably originating from the borrow pit work for logging roads. Mitigation, if called for, could be based on limestone.

Electra Gold Ltd. is committed to develop the deposit in a manner that does not cause significant environmental impact during operation or after mine closure.

HANKIN POINT

The Coal Harbour —Hankin Point industrial mineral property is located 14 km south of the northern Vancouver Island community of Port Hardy. A paved highway and a network of logging roads provide access to the property. The small village of Coal Harbour is located within the boundaries of the Coal Harbour No. 2 mineral claim. The Hankin Point property has potential as a source of raw material for environmental remediation applications such as acid rock drainage (ARD) mitigation and for construction material such as dimension stone.

The Coal Harbour No. 1 and No. 2 claims, consisting of 12 units (300 ha), cover a 25–35 m thick Lower Cretaceous sequence of silica-bearing arkosic sandstone, alumina-bearing shales and coal seams that strike easterly and

dip approximately 20 degrees southerly.

The Hankin Point No. 1 and No. 2 claims, consisting of 18 units (450 ha), were located in April 2001 by Jo Shearer. They are adjacent to the Coal Harbour No. 2 claim to the south and

east. The claims cover a thick section of the Triassic Quatsino Limestone Formation. Limestone is used in the manufacturing of cement, as a neutralizing agent in the mitigation of ARD from sulphide-bearing mine waste and tailings, and as a construction material (dimension stone).

One of the primary objectives of Electra Gold Ltd. is to conduct mining operations in a manner consistent with low impact on the environment. In this regard, the limestone unit is considered to be a source for a potential neutralizing agent to mitigate the formation of ARD from the oxidation of sulphide-bearing minerals in waste, stockpiles and tailings. Electra Gold owns the Apple Bay silica and alumina-bearing geysirite deposit located 10 km to the west of the Coal Harbour - Hankin Point property (see above). This nearby source of limestone can be used for passive treatment of the Apple Bay tailings.

The proximity of the property to a ship loading facility (45,000 tonne ship capacity) that hosts the limestone unit, approximately 3 km east of the Hankin Point No. 1 claim, may have positive economic benefits to the potential development of the property, as additional funding will not be required to construct a bulk material load out facility.

The results of the initial drilling program in the Lower Cretaceous sequence of shale, coal and arkosic sandstone met the chemical composition requirements with respect to the alumina and silica content necessary for the manufacture of Portland cement. Although subsequent drilling showed elevated sulphur content at greater depths that did not meet the manufacturing criteria, further geological mapping, sampling and diamond drilling is required to delineate and isolate sections of the sequence with the required chemistry.

With a potential strike length of approximately 1.5 km across the Coal Harbour No. 1 and No. 2 claims, the potential to locate economic quantities of suitable material for the manufacture of Portland cement remains considerable.

The limited sampling of the exposures of the Triassic Quatsino Limestone Formation on the Hankin Point No. 1 claim by government workers (McCammon, 1968) and Homegold Resources Ltd. (2001) yielded encouraging analytical results with respect to potential use in the manufacturing of cement and as a neutralizing agent in the reduction and/or mitiga-

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tion of ARD from sulphide-bearing mine waste rock, tailings or ore stockpiles. The strike length of the limestone formation across the Hankin Point No. 1 claim is not precisely defined; however, mapping by the McCammon (1968) indicates a potential of 2.5 km of strike length across the claim. A new logging road has been constructed (summer 2002) into the central portion of the Hankin Point No. 1 claim and to Stewart Point.

ETHICAL FOUNDATIONS

Electra Gold Ltd. conducts its business based on honesty, respect and openness as exemplified by:

Collaborative Partnership Financing including sharing of development costs, sharing of capital costs, profit and resulting in a renewable five year contract with a major cement manufacturer in the US.

Creation of mutually empowering relationships with staff as evidenced by stable long term caring employee relationships for which staff are willing to give testimonies.

Mutually beneficial First Nations relationships including royalty payments (setting a new financial precedent for the relationship between a mining company and indigenous people) and reciprocal training and learning.

Quality Stakeholder Relationships as evidenced by positive relationships with the community of Port Hardy where the company has its operations as well as examples like former creditors becoming shareholder.

Upcoming implementation of a leading edge software tool, See-It for management that will also make the company's SRI goals and accomplishments transparent to those investors and potential investors as well as SRI analysts.

MANAGEMENT

Doug Stelling, Chairman & CEO

Doug Stelling founded the Electra Resources Corporation (that has evolved into the current Electra Gold Ltd.) in 1978 when he moved from California to Vancouver, British Columbia. Stelling served as the company's president until May 2003, when he passed the presidency over to Jo Shearer.

Doug Stelling is now the Chairman & CEO of Electra Gold. He has personally funded Electra Gold's re-emergence as a publicly traded company.

J.T. (Jo) Shearer, M.Sc., P.Geo., President

Jo Shearer has been involved in mining exploration and development since 1971. He is a recognized expert in mineral exploration and a certified Quarry Supervisor. Shearer brings vast public corporate experience and extensive experience in the complex environmental permitting process.

He has successfully participated in the raising of capital for junior mining companies that are publicly traded. Shearer's company, Homegold Resources Ltd., is under contract to Electra Gold on a per-job basis.

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In calendar 2005, ELT achieved approximately \$2.5 million in sales.

Management anticipates profitability as the company expands operations to commercial scale commensurate with higher sales volume in coming quarters.

SUMMARY

We like Electra Gold Ltd. because it is building on a foundation of ethical and sustainable operations. Management has succeeded in translating its vision into approximately \$2.5 million annually in sales, in relatively early stages of commercial development, a rare achievement in the world of junior resource ventures.

The company expects to grow sales of geyserite to cement operations along the west coast of North America where booming construction markets will push demand higher.

Moreover, the company is preparing to bring their Kaolin interests closer to commercial viability, which would make them the only local supplier of material to BC's substantial pulp and paper industry.

On top of the growing base of industrial mineral operations, Electra's Apple Bay property is

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In calendar 2005, the ELT achieved approximately \$2.5 million in sales. Reported sales for the first nine months of 2005 were \$1.8 million. Still in the development phase, ELT reported a small loss \$125,000 for the first nine months of 2005.

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also prospective for copper and gold, and the company in a position to exploit that potential going forward.

Electra has also made a very public commitment to ethical operations, which may not matter to much to some but, when considering the number of mining operations that could potentially face native land claims and ecology issues in British Columbia, a solid reputation

for fair and environmentally responsible dealing amounts to a considerable asset.

At today's share price below \$0.20, ELT is trading in a range that offers good potential upside. Investors who believe, as we do, that any junior with cash flow is worth a serious look, will want to keep ELT on their screens, and begin to accumulate at current levels. ☺

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