

ELECTRA GOLD LTD.

INTERIM FINANCIAL STATEMENTS

JUNE 30, 2008

NOTICE TO READER

We have compiled the interim balance sheet of Electra Gold Ltd. as at June 30, 2008 and the interim statement of operations, retained earnings and cash flow for the six months then ended from information provided by management. We have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of such information. Readers are cautioned that these statements may not be appropriate for their purposes.



INTERIM BALANCE SHEET

	30-Jun 2008	AS AT 31-Dec 2007 (Audited)
ASSETS		
Current		
Cash	\$85,969	\$114,327
Receivables	221,376	245,874
Prepaid expenses	30,877	56,968
Inventory	<u>128,940</u>	<u>69,000</u>
	462,624	486,169
Reclamation deposits	167,500	164,000
Equipment (Note 2)	235,582	257,721
Mineral properties (Note 3)	<u>1,014,322</u>	<u>864,003</u>
	<u>\$1,880,029</u>	<u>\$1,771,893</u>
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current		
Accounts payable and accrued liabilities	\$333,395	\$200,256
Loan payable (Note 5)	115,072	159,816
Due to related parties (Note 6)	173,073	68,054
	<u>621,540</u>	<u>428,126</u>
Royalties payable (Note 7)	258,921	238,889
Asset Retirement Obligation	94,000	94,000
	<u>974,461</u>	<u>761,015</u>
Shareholders' equity (deficiency)		
Share capital (Note 4)	14,161,622	14,134,122
Contributed surplus (Note 4)	720,108	661,444
Deficit	(13,986,702)	(13,784,688)
	<u>895,027</u>	<u>1,010,878</u>
	<u>\$1,880,029</u>	<u>\$1,771,893</u>

Basis of presentation and continuance of operations (Note 1)

Subsequent events (Note 8)

On behalf of the Board:

"Jo Shearer"

President

"Marcy Kiesman"

CFO

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

Unaudited – see notice to reader



INTERIM STATEMENT OF OPERATIONS AND DEFICIT

FOR THE SIX MONTHS ENDED

	Second Quarter		Year to Date	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
SALES	\$ 648,486	\$ 345,168	\$ 902,140	\$ 906,420
COST OF SALES				
Cost of production	406,664	390,433	728,391	841,102
Royalties	58,105	60,996	79,749	115,393
Depletion	4,623	5,959	6,827	10,540
	<u>469,392</u>	<u>457,388</u>	<u>814,967</u>	<u>967,035</u>
GROSS PROFIT	<u>179,095</u>	<u>(112,219)</u>	<u>87,173</u>	<u>(60,615)</u>
EXPENSES				
Amortization	10,681	22,565	21,363	45,129
Consulting and financing fees	52,961	53,378	126,253	116,217
Filing fees	10,113	14,135	13,848	17,964
Management fees	18,076	12,300	34,126	24,600
Office and general	24,172	14,461	62,021	31,325
Professional fees	19,943	22,413	29,943	22,413
Stock-based compensation	1,576	81,655	6,611	81,655
	<u>137,522</u>	<u>220,907</u>	<u>294,164</u>	<u>339,303</u>
OTHER INCOME				
Option Income	-	-	-	60,000
Interest Income	3,977	3,896	4,976	5,548
	<u>3,977</u>	<u>3,896</u>	<u>4,976</u>	<u>65,548</u>
Net (Loss) Income for the period	45,549	(329,230)	(202,015)	(334,370)
Deficit, beginning of period	<u>(14,032,252)</u>	<u>(13,560,946)</u>	<u>(13,784,687)</u>	<u>(13,555,807)</u>
Deficit, end of period	\$ (13,986,702)	\$ (13,890,177)	\$ (13,986,702)	\$ (13,890,177)
Basic and diluted loss per share	\$ 0.00	\$ (0.01)	\$ (0.01)	\$ (0.01)
Weighted average number of shares outstanding	33,394,621	28,247,979	33,394,621	28,247,979

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

Unaudited – see notice to reader



NOTES TO FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED

	Second Quarter		Year to Date	
	2008	2007	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES				
Net (Loss) Income for the period	\$ 45,549	\$ (329,230)	\$ (202,015)	\$ (334,370)
Items not affecting cash:				
Amortization	10,578	22,565	22,139	45,129
Accrued interest on loan payable	2,936	5,067	6,131	10,616
Loan repayment deducted from sales	(31,707)	(21,708)	(44,744)	(57,013)
Stock-based compensation	1,576	81,655	6,611	81,655
Depletion	4,623	5,959	9,827	10,540
Accrued long-term royalties	14,621	15,249	20,032	28,848
Changes in non-cash working capital items:				
Decrease in receivables	(101,199)	(15,758)	28,193	157,108
Prepaid Expenses	20,320	4,868	26,091	(11,704)
Royalties payable	(58,105)	(60,996)	(79,749)	(115,393)
Increase (decrease)Accounts payable and accrued liabilities	79,448	317	170,608	22,463
Net cash provided (used) in operating activities	<u>(11,360)</u>	<u>(292,012)</u>	<u>(36,876)</u>	<u>(162,120)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Option payment from mineral properties	-	-	80,000	60,000
Acquisition of mineral properties	(65,226)	(24,000)	(154,146)	(38,750)
Net cash used in investing activities	<u>(65,226)</u>	<u>(24,000)</u>	<u>(74,146)</u>	<u>21,250</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Common Share Subscription and Contributed Surplus	21,106	216,121	86,163	216,121
Change in cash during the period	(55,479)	(99,891)	(24,858)	75,252
Cash, beginning of period	<u>308,948</u>	<u>351,078</u>	<u>278,327</u>	<u>175,936</u>
Cash, end of period	<u>\$ 253,469</u>	<u>\$ 251,187</u>	<u>\$ 253,469</u>	<u>\$ 251,187</u>

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



NOTES TO FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION AND CONTINUANCE OF OPERATIONS

The interim period financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles. All financial summaries included are presented on a comparative and consistent basis showing the figures for the corresponding period in the preceding year. The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of annual financial statements. Certain information and footnote disclosure normally included in financial statements prepared in accordance with Canadian generally accepted accounting principles has been condensed or omitted. These interim period statements should be read together with the audited financial statements and the accompanying notes included in the Company's latest annual filing. In the opinion of the Company, its unaudited interim financial statements contain all adjustments necessary in order to present a fair statement of the results of the interim periods presented.

The Company is in the process of developing its mineral properties and is in the start-up phase of commercial production. The recoverability of the amounts shown for mineral properties and related deferred exploration costs are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

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 continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

	June 30 2008	December 31 2007
Working Capital	(158,916)	58,043
Deficit	(13,986,702)	(13,784,688)

2. EQUIPMENT

	June 30 2008			December 31 2007		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 8,288	\$ 8,288	\$ -	\$ 8,288	\$ 6,842	\$ 1,446
Office Trailer	15,867	1,520	14,347	15,197	-	15,197
Trailers	139,332	68,470	70,862	139,332	62,724	76,608
Trucks	<u>376,327</u>	<u>225,955</u>	<u>150,332</u>	<u>376,327</u>	<u>211,857</u>	<u>164,470</u>
	\$ 539,814	\$ 304,233	\$ 235,581	\$ 539,144	\$ 281,423	\$ 257,721

During the year ended December 31, 2005 the Company acquired two trucks at a cost of \$376,327 which was financed by way of a loan from its major customer (Note 6).

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NOTES TO FINANCIAL STATEMENTS

3. MINERAL PROPERTIES

2008								
	ACQUISITION AND							
	BALANCE BEGINNING OF YEAR	RETIREMENT COSTS	EXPLORATION EXPENDITURES	OPTION PAYMENT	ACCUMULATED DEPRECIATION	WRITE- OFF	BALANCE END OF PERIOD	
Apple Bay	\$ 715,396	\$ -	\$ 95,321	\$ (80,000)	\$ (6,827)	\$ -	\$ 723,890	
Hankin Pt.	50,000	-	-	-	-	-	50,000	
Lang Bay	98,607	-	6,000	-	-	-	104,607	
Suquash Coal	-	12,390	-	-	-	-	12,390	
WM822	-	118,034	5,400	-	-	-	123,434	
	\$ 864,003	\$ 130,424	\$ 106,721	\$ (80,000)	\$ (6,827)	\$ -	\$ 1,014,321	

2007								
	ACQUISITION AND							
	BALANCE BEGINNING OF YEAR	RETIREMENT COSTS	EXPLORATION EXPENDITURES	OPTION PAYMENT	ACCUMULATED DEPRECIATION	WRITE- OFF	BALANCE END OF YEAR	
Apple Bay	\$ 526,983	\$ 94,000	\$ 177,879	\$ (60,000)	\$ (23,466)	\$ -	\$ 715,396	
Hankin Pt.	50,000	-	-	-	-	-	50,000	
Lang Bay	98,607	-	-	-	-	-	98,607	
Alberta Iron	3,408	-	-	-	-	(3,408)	-	
	\$ 678,998	\$ 94,000	\$ 177,879	\$ (60,000)	\$ (23,466)	\$ (3,408)	\$ 864,003	

The Company entered into a Letter Agreement dated February 3, 2005 with Lumina Copper Corp. (“Lumina”) 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 a period of three years 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. At December 31, 2005, the Company has received a \$20,000 option payment from Lumina, received an additional \$40,000 on February 3, 2006, \$60,000 on February 5, 2007 and \$80,000 on February 1, 2008 pursuant to the terms of the Letter Agreement.

4. SHARE CAPITAL

a) Authorized

- Unlimited number of common shares without par value
- Unlimited number of class A preference shares without par value



NOTES TO FINANCIAL STATEMENTS

b) Issued

	COMMON SHARES	SHARE CAPITAL	CONTRIBUTED SURPLUS	TOTAL
Balance as at December 31, 2005	23,516,083	13,233,589	450,188	13,683,777
Issued for cash				
Private placement @ \$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 @ \$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
Balance as at December 31, 2006	27,795,513	13,612,772	555,099	14,167,871
Issued for cash				
Private placement @ \$0.08 per unit	1,250,000	100,000	-	100,000
Funds deposited from placement	-	14,440	-	14,440
Private placement @ \$0.16 per unit	1,250,000	200,000	-	200,000
Exercise of stock options at \$0.10	235,261	23,526	-	23,526
Exercise of stock options at \$0.10	200,000	20,000	-	20,000
Private placement @ \$0.10 per unit	1,800,000	180,000	-	180,000
Warrant exercise @ \$0.12	375,000	45,000	-	45,000
Stock based compensation	-	-	145,265	145,265
Stock options exercised	-	38,920	(38,920)	-
Tax benefits renounced	-	(95,536)	-	(95,536)
Balance as at December 31, 2007	32,905,774	14,134,122	661,444	14,800,566
Funds deposited from placement	-	5,000	-	5,000
Shares issued from placement	125,000	-	-	-
Stock based compensation	-	-	5,035	5,035
Issued for cash				
Exercise of stock options at \$0.10	520,522	52,052	(52,052)	-
Warrant exercise @ \$0.12	187,500	22,500	-	22,500
Balance as at June 30, 2008	33,738,796	\$ 14,213,674	\$ 614,427	\$ 14,833,101

Period Ended June 30, 2008

- i) On April 9, 2008 125,000 warrants were exercised and on March 26, 2008, 62,500 warrants were exercised at \$0.12 for proceeds of \$22,500 and 520,522 options were exercised at a price of \$0.10 for proceeds of \$52,052.

Period Ended December 31, 2007

- ii) On May 4, 2007, the Company issued 1,250,000 share capital units at a price of \$0.08 a unit pursuant to a non-brokered private placement for total proceeds of \$100,000. Each unit consists of one share and one share purchase warrant. The warrants are exercisable for one year from the date of grant at \$0.12.



NOTES TO FINANCIAL STATEMENTS

- iii) On July 19, 2007, the Company issued 1,250,000 share capital units at a price of \$0.16 a unit pursuant to a non-brokered private placement for total proceeds of \$200,000. 625,000 units are flow through and 625,000 are non flow through with no warrants attached.
- iii) On December 5, 2007, the Company issued 1,800,000 share capital units at a price of \$0.10 a unit pursuant to a non-brokered flow through private placement for total proceeds of \$180,000. Each unit consists of one share and one share purchase warrant. The warrants are exercisable for one year from the date of grant at \$0.16.

Year Ended December 31, 2006

- iv) 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.
- v) 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.
- iv) 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.

The following table summarizes the Company's 1,200,000 stock options outstanding at June 30, 2008:

2008		
Number	Exercise Price	Expiry Date
200,000	\$ 0.10	December 12, 2008
50,000	\$ 0.10	February 23, 2009
600,000	\$ 0.10	April 1, 2009
50,000	\$ 0.10	April 27, 2009
150,000	\$ 0.10	June 1, 2009
150,000	\$ 0.10	February 13, 2010

The following table summarizes the Company's warrants 1,800,000 outstanding for the period ended June 30, 2008:

2008		
Number	Exercise Price	Expiry Date
1,800,000	\$ 0.16	December 5, 2008

Unaudited – see notice to reader



NOTES TO FINANCIAL STATEMENTS

5. LOAN PAYABLE – MAJOR CUSTOMER

During the second quarter, \$437,652 (December 31, 2007 - \$2,344,882) of the Company's sales were to one customer located in the USA. These sales are pursuant to a purchase agreement dated April 1, 2004 which is for an initial term of five years.

Concurrent with this purchase agreement the Company and its major customer entered into a loan agreement dated April 1, 2004 whereby the major customer agreed to establish a secured demand 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 by deducting the appropriate balance from the sales invoice representing the purchase by this major customer. A total of \$517,851 was advanced. At June 30, 2008, the Company owed \$115,072 (December 31, 2007 - \$159,816) under this loan facility. Total repayments in the period totaled \$34,643 (December 31, 2007 - \$155,614) and consisted of accrued interest of \$2,936 (December 31, 2007 \$17,857).

6. RELATED PARTY TRANSACTIONS

These outstanding amounts payable are unsecured and non-interest bearing with no fixed terms of repayment. The fair value of the debt is not determinable as it has no repayment terms.

During the quarter ended June 30, 2008, the Company entered into the following transactions with related parties:

- a) Paid or accrued management fees of \$41,450 (2007 - \$22,600) to officers and directors of the Company.
- b) Paid or accrued geological fees of \$37,590 (2007 - \$24,000) to the Company's president that were included in deferred exploration costs pursuant to the Apple Bay Agreement.
- c) Paid or accrued royalties totaling \$11,697 (2007 - \$12,199) and \$9,192 (2007 - \$11,404) of general expenses to the president and a company controlled by the president.

7. ROYALTIES PAYABLES

The Company entered into Participation and Royalty Agreement with the Quatsino First Nation dated August 20, 2003 which grants the Company the exclusive right to mine certain claims over the term of the agreement expiring June 30, 2013. As consideration, Homegold transferred 400,000 common shares of the Company to the Quatsino First Nation and a member has been appointed as director of the Company. A royalty of \$1.00 per metric tonne is also payable. Payment for one half of the royalty is deferred until production exceeds 200,000 metric tonnes in a calendar year. As at June 30, 2008 an amount of \$258,921 (December 31, 2007 \$207,706) is owed under this deferral arrangement. On March 13, 2006 the Company received a long-term permit from the B.C. Ministry of Energy and Mines to mine up to 249,000 metric tonnes annually. The Company does not expect to produce in excess of 200,000 metric tonnes in 2008 and therefore the amount owing under the deferral arrangement has been classified as a non-current liability at June 30, 2008.



NOTES TO FINANCIAL STATEMENTS

8. SUBSEQUENT EVENTS

Subsequent to the period ended June 30, 2008:

- 2,750,000 common shares with an issuance price of \$0.08 each, and 2,750,000 share purchase warrants with an exercise price of \$0.10 for a period of one year were issued on July 31, 2008 in connection with the private placement announced on June 27, 2008.
- Electra Gold Ltd. announced on SEDAR on August 7th, 2008 an option agreement with Hanam Canada to develop and explore the Suquash Coalfield on Northern Vancouver Island. The Suquash coal mine was in production from 1908-1922. Government publications suggest a global geological potential resource of over 40 million tonnes of coal and possibly much greater, however no estimation of the mineable resource is currently available and a mineable resource will require further exploration, drilling and study. Please refer to www.sedar.com for the complete details.