

INTERIM FINANCIAL STATEMENTS

JUNE 30 2006

NOTICE TO READER

The management of Electra Gold Ltd. has compiled its unaudited interim balance sheet of the Company as at June 30, 2006 and its unaudited interim statement of operations, retained earnings and cash flow for the three months ending June 30, 2006 and for the six months ending June 30th, 2006. 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.

Eric Sauve'
Chief Financial Officer
August 31, 2006



INTERIM BALANCE SHEETS
SIX MONTH PERIOD ENDED JUNE 30, 2006 (UNAUDITED)

	June 30, 2006	December 31, 2005 (Audited)
ASSETS		
Current		
Cash	\$ 333,279	\$ 186,874
Receivables	0	172,197
Inventory	<u>52,500</u>	<u>52,500</u>
	385,779	411,571
Reclamation bond	160,000	50,000
Equipment	365,168	424,553
Mineral properties (Note 5)	<u>620,623</u>	<u>636,112</u>
	<u>\$ 1,531,570</u>	<u>\$ 1,522,236</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 128,631	\$ 198,018
Royalties Payable		28,644
Loan Payable	396,639	467,773
Due to related parties (Note 2)	<u>138,119</u>	<u>99,895</u>
	663,389	794,330
Royalties Payable	<u>147,196</u>	<u>118,002</u>
	<u>810,585</u>	<u>912,332</u>
Shareholders' equity (deficiency)		
Share capital (Note 3)	13,524,125	13,233,589
Contributed surplus	468,564	450,188
Common shares to be issued	-	252,047
Deficit	<u>(13,271,704)</u>	<u>(13,073,873)</u>
	<u>720,985</u>	<u>609,904</u>
	<u>\$ 1,531,570</u>	<u>\$ 1,522,236</u>

Nature and continuance of operations (Note 1)

Subsequent events (Note 6)

On behalf of the Board:

"Douglas Stelling"

Director

"Johan Shearer"

Director

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

Unaudited - see notice to reader



INTERIM STATEMENTS OF OPERATIONS AND DEFICIT
SIX MONTH PERIOD ENDED JUNE 30, 2006 (UNAUDITED)

	Second Quarter		Year To Date	
	2006	2005	2006	2005
SALES	\$ 658,396	\$ 646,958	\$ 1,083,671	\$ 1,263,871
COST OF SALES				
Cost of production	481,713	472,927	842,327	863,706
Royalties	42,476	37,738	88,132	83,724
Depletion	3,694	4,350	7,389	8,700
	<u>527,883</u>	<u>515,015</u>	<u>937,848</u>	<u>956,130</u>
GROSS PROFIT	130,513	131,943	145,823	307,741
EXPENSES				
Amortization	29,693	30,224	59,386	51,655
Consulting and financing fees	89,215	85,648	130,839	126,344
Filing fees	16,113	3,708	22,024	10,232
Management fees	12,300	12,300	25,100	23,100
Office and general	17,104	20,197	44,430	29,425
Professional fees	20,468	29,096	32,348	36,191
Property investigation expenses	-	1,230	11,153	11,885
Stock Based Compensation	9,188	-	18,376	-
	<u>194,081</u>	<u>182,403</u>	<u>343,654</u>	<u>288,832</u>
Net income for the period	(63,568)	(50,460)	(197,831)	18,909
Deficit, beginning of period	<u>(13,208,136)</u>	<u>(12,877,312)</u>	<u>(13,073,873)</u>	<u>(12,946,681)</u>
Deficit, end of period	<u>(13,271,704)</u>	<u>(12,927,772)</u>	<u>(13,271,704)</u>	<u>\$ (12,927,772)</u>
Basic and diluted loss per share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ 0.00
Weighted average number of shares outstanding	26,070,186	19,145,801	26,070,186	19,145,801



INTERIM STATEMENTS OF CASH FLOWS
SIX MONTH PERIOD ENDED JUNE 30, 2006 (UNAUDITED)

	Second Quarter		Year To Date	
	2006	2005	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES				
Net (Loss) Income for the period	\$ (63,568)	\$ (50,460)	\$ (197,831)	\$ 18,909
Items not affecting cash:				
Amortization	29,693	30,224	59,386	51,655
Accrued interest on loan payable	7,777	-	16,445	-
Loan repayment deducted from sales	(53,340)	-	(87,580)	-
Stock-based compensation	9,188	62,500	18,376	82,500
Depletion	3,694	4,350	7,388	8,700
Accrued long-term royalties	17,780	9,434	29,194	20,931
Changes in non-cash working capital items:				
Decrease (increase) in receivables	91,319	(63,352)	172,197	55,554
Royalties payable	-	-	(28,644)	-
Due to related parties	15,624	-	38,224	-
Increase (decrease) accounts payable and accrued liabilities	<u>(123,016)</u>	<u>(49,823)</u>	<u>(69,387)</u>	<u>(364,891)</u>
Net cash provided (used) in operating activities	(64,849)	(57,127)	(42,232)	(126,642)
CASH FLOWS FROM INVESTING ACTIVITIES				
Option payment from mineral properties	-	-	40,000	20,000
Acquisition of mineral properties	3,408	-	3,408	-
Deferred expenses from mineral properties	(15,291)	-	(28,491)	-
Reclamation Bond	(110,000)	-	(110,000)	-
Purchase of Equipment	<u>-</u>	<u>(175,850)</u>	<u>-</u>	<u>(359,626)</u>
Net cash used in investing activities	(128,699)	(175,850)	(101,899)	(339,626)
CASH FLOWS FROM FINANCING ACTIVITIES				
Advance from related parties	-	1,105	-	2,833
Common Shares Subscription	290,536	-	290,536	-
Note payable	<u>-</u>	<u>260,485</u>	<u>-</u>	<u>526,865</u>
Net cash provided by financing activities	290,536	261,590	290,536	529,698
Change in cash during the period	96,988	28,613	146,405	63,430
Cash, beginning of period	<u>236,291</u>	<u>142,782</u>	<u>186,874</u>	<u>107,965</u>
Cash, end of period	\$ 333,279	\$ 171,395	\$ 333,279	\$ 171,395

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, 2006	December 31, 2005
Working Capital	(277,610)	(382,759)
Deficit	(13,271,704)	(13,073,873)

2. DUE TO RELATED PARTIES

As at June 30, 2006 a total of \$138,119 (December 2005 - \$99,895) is payable to directors for fees, royalties and expenses. 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.

3. SHARE CAPITAL

	Number of Shares	Share Capital \$	Contributed Surplus \$	Total \$
Authorized				
100,000,000 common shares without par value				
Issued				
Balance as at December 31, 2003	18,230,049	12,542,074	350,291	12,892,365
Exercise of warrants	750,000	112,500	-	112,500
Private placement	447,200	111,800	-	111,800
Stock-based compensation	-	-	2,000	2,000
Balance as at December 31, 2004	19,427,249	12,766,374	352,291	13,118,665
Shares issued in settlement of debt	975,334	252,047	-	252,047
Exercise of stock options	50,000	7,000	(2,000)	5,000
Shares issued for finance fees	176,000	21,120	-	21,120
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 placement				
Cash	-	(10,000)	-	(10,000)
Agent's warrants	-	(4,792)	4,792	-
Renounced flow through share expenditures	-	(29,160)	-	(29,160)
Stock-based compensation			95,105	95,105
Balance as at December 31, 2005	23,516,083	13,233,589	450,188	13,683,777
Stock-based compensation			9,188	9,188
Balance as at March 31, 2006	23,516,083	13,233,589	459,376	13,692,965
Exercise of warrants	512,500	51,250	-	51,250
Exercise of stock options	285,261	28,526	-	28,526
Private placement at \$0.12 per share	1,756,342	210,760	-	210,760
Stock-based compensation	-	-	9,188	9,188
Balance as at June 30, 2006	26,070,186	13,524,125	468,564	13,992,689

During the quarter ending June 30th, 2006, 512,500 warrants were exercised at a value of \$51,250 and 285,261 stock options were exercised at a value of \$28,526.

On May 4, 2006 the Company closed a non-brokered private placement of 1,876,667 units at a price of \$0.12 a unit of which 1,756,342 units were issued to June 30, 2006 and the balance of 120,325 were issued on July 10, 2006. Each unit consists of one common share and one purchase warrant. The warrants are exercisable from the date of grant at \$0.20 in the first year and \$0.30 in the second year and expire on May 4, 2008. The Company used \$110,000 of the proceeds to post a reclamation bond totaling \$160,000 and release the five individuals from the bond they posted on the Company's behalf.

3. SHARE CAPITAL (cont'd...)

During the year ended December 31, 2005, 50,000 stock options were exercised at a value of \$5,000 which the Company offset from \$5,000 in accounts payable and accrued liabilities for a director of the Company. As a result, \$2,000 was reallocated to capital stock from contributed surplus.

During the year ended December 31, 2005 the Company provided a \$160,000 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 (Note 4). \$110,000 of this security was provided by directors, officers and certain other associates of these related parties in consideration for the issuance of 176,000 shares, which have been valued at \$21,120.

On December 15, 2005, pursuant to a Private Placement Agreement, the Company issued 1,250,000 units at \$0.08 per unit for total proceeds of \$100,000. Each unit consisted of one share purchase warrant, entitling the holder, on exercise, to purchase one common share at a price of \$0.10 until December 15, 2006. Finders' fees included the Company paying \$10,000 and issuing 125,000 agent's warrants exercisable into additional common shares at \$0.10 per share until December 15, 2006. The agent's warrants have been recorded at a fair value of \$4,792.

On November 28, 2005 pursuant to a Private Placement Agreement, the Company issued 1,637,500 flow-through units at \$0.08 per unit for total proceeds of \$131,000. Each flow-through unit consisted of one flow-through share and a non flow-through warrant. One non flow-through warrant will entitle the holder, on exercise, to purchase one common share at a price of \$0.10 to November 28, 2006.

On January 24, 2005, the Company issued 975,334 common shares pursuant to debt settlement agreements with a director and a company controlled by a directly for the settlement of \$252,047 of indebtedness.

Flow-through Shares

In accordance with accounting recommendations relating to the issuance of flow-through shares, the Company reduced from flow-through share proceeds assigned to share capital and recognized as a future tax liability, the estimated tax effect of the timing difference resulting from renouncing exploration expenditures using currently enacted tax rates and laws.

Concurrently the Company recognized a future income tax recovery from the utilization of available tax losses of prior periods to offset the future tax liability recognized. The Company has not previously recognized tax benefits relating to losses of prior periods as the criteria for recognition has not been met.

Stock Options

The Company follows the policies of the TSX Venture Exchange (TSX-V) under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. Under the policies, the exercise price of each option equals the market price of the Company's shares as calculated on the date of grant. The options can be granted for a maximum term of 5 years.

3. SHARE CAPITAL (cont'd...)

Stock options transactions are summarized as follows for the period ended March 31, 2006 and December 31, 2005:

On January 19, 2006, the Company entered into a six month term letter of understanding with for consulting services, whereby the Company will compensate the consultant by the issuance of 470,522 stock options, issued at \$0.15 each, an exercise price of \$0.10 each and expire on March 27, 2008.

	2006		2005	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding, beginning of period	1,420,522	\$ 0.10	1,350,000	\$ 0.10
Granted	670,522	0.18	1,550,000	0.10
Exercised	285,261	0.10	(50,000)	0.10
Expired		0.10	(1,300,000)	0.10
Outstanding, end of period	1,805,783	\$ 0.13	1,550,000	\$ 0.10
Exercisable, end of period	1,292,630	\$ 0.10	1,175,000	\$ 0.10

The following table summarizes the Company's stock options outstanding at June 30, 2006:

2006		
Number	Exercise Price	Expiry Date
900,000	\$ 0.10	April 27, 2007
235,261	\$ 0.10	November 1, 2007
470,522	\$ 0.15	March 26, 2008
200,000	\$ 0.25	March 26, 2008

Stock-based compensation

The total stock-based compensation recognized in the period ended June 30, 2006 was \$18,376, (December 31, 2005 - \$95,105), of which \$Nil (2005 - \$85,917) was recorded as stock-based compensation for stock options granted to directors and employees, and \$18,376 (2005 - \$9,188) was recorded as consulting and financing fees for stock options granted to consultants.

The following weighted-average assumptions were used for the Black-Scholes option pricing valuation of stock options granted during the period ended June 30, 2006 and the year ended December 31, 2005:

	2006	2005
Risk-free interest rate	3.47%	3.47%
Expected life of options	1.08 years	1.08 years
Annualized volatility	200%	200%
Dividend rate	0.0%	0.0%

3. SHARE CAPITAL (cont'd...)

Warrants

Warrant transactions are summarized as follows for the period ended June 30, 2006 and December 31, 2005:

	2006		2005	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding, beginning of period	3,012,500	\$ 0.10	447,200	\$ 0.35
Granted	1,876,667	0.20	3,012,500	0.10
Exercised	612,500	0.10	-	0.10
Expired		-	(447,200)	0.35
Outstanding, end of period	4,276,667	\$ 0.14	3,012,500	\$ 0.10

The following table summarizes the Company's warrants outstanding for the period ended June 30, 2006:

2006		
Number	Exercise Price	Expiry Date
1,025,000	\$ 0.10	November 28, 2006
1,250,000	\$ 0.10	November 24, 2006
1,876,667	\$ 0.20	May 4, 2007

4. EQUIPMENT

	June 2006			December 31 2005		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 8,288	\$ 5,780	\$ 2,508	\$ 8,288	\$ 5,338	\$ 2,950
Trailers	109,332	31,977	77,355	109,332	23,382	85,950
Trucks	376,327	91,022	285,305	376,327	40,674	335,653
	\$ 493,947	\$ 128,779	\$365,168	\$ 493,947	\$ 69,394	\$ 424,553

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).

5. MINERAL PROPERTIES

	2006					2006
	Balance, Beginning of Period	Acquisition Costs	Deferred Expenditures	Option Payment	Accumulated Depletion	Balance, End of Period
Apple Bay	\$ 536,112	\$ -	\$ 28,491	\$ (40,000)	\$ (7,388)	\$ 517,215
Hankin Point	50,000	-	-	-	-	50,000
Lang Bay	50,000	-	-	-	-	50,000
Alberta Iron	\$ 0	\$ 3,408	\$ -	\$ -	\$ -	\$ 3,408
Total	\$ 636,112	\$ 3,408	\$ 28,491	\$ (40,000)	\$ (7,388)	\$ 620,623

	2005					2005
	Balance, Beginning of Year	Acquisition Costs	Deferred Expenditures	Option Payment	Accumulated Depletion	Balance, End of Year
Apple Bay	\$ 517,626	\$ -	\$ 60,700	\$ (20,000)	\$ (22,214)	\$ 536,112
Hankin Point	50,000	-	-	-	-	50,000
Lang Bay	50,000	-	-	-	-	50,000
Total	\$ 617,626	\$ -	\$ 60,700	\$ (20,000)	\$ (22,214)	\$ 636,112

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 and received an additional \$40,000 on February 3, 2006, pursuant to the terms of the Letter Agreement.

6. LOAN PAYABLE – MAJOR CUSTOMER

During the period, \$1,083,672 (2005, \$2,441,269) 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. During the period the Company owed \$388,862 (December 31, 2005 \$467,773) under this loan facility. Total repayments in the period totaled \$87,580 (December 31, 2005 \$85,915) and accrued interest of \$16,445 (December 31, 2005 \$35,837).

7. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

- a) Paid or accrued management fees of \$6,000 (2005 - \$35,700) to an officer of the Company.
- b) Transferred \$5,000 from accrual to allow an officer of the Company to exercise stock options.
- c) Paid or accrued geological fees of \$ 13,850 (2005 - \$60,700) to the Company's president that were included in deferred exploration costs pursuant to the Apple Bay Agreement.
- d) Paid or accrued geological fees of \$NIL (2005 - \$NIL) to the Company's president that were included in deferred exploration costs pursuant to the Lang Bay Agreement and \$NIL (2005 - \$NIL) of general expenses to the president and a company controlled by the president.
- e) Paid or accrued royalties totaling \$14,224 (2005 - \$75,134) and \$5,742 (2005 - \$30,057) of general expenses to the president and a company controlled by the president.
- f) Paid \$3,408 representing the cost incurred to acquire the Alberta Iron project by the Company's President.

8. ROYALTIES PAYABLES

The Company entered into a 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, 2006 an amount of \$147,196 (December 31, 2005 \$118,002) is owing 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 2006 and therefore the amount owing under the deferral arrangement has been classified as a non-current liability at June 30, 2006.

9. SUBSEQUENT EVENTS

On July 10th, 2006 the Company issued the remaining 120,325 units to complete the non-brokered private placement of 1,876,667 units at a price of \$0.12.

On July 31, 2006 the Company announced that Eric Sauve', an informal advisor to the Company for the preceding year, was appointed Chief Financial Officer. Mr. Sauve' will oversee the financial well being of the Company and assist with expansion of the Company's sales and revenues.

On August 16th, 2006 30,000 options were exercised for \$0.10 each.

On August 16th, 2006 100,000 warrants were exercised for \$0.10 each.

On August 17th, 2006 the Company announced it had initiated a trenching, sampling and geological mapping program of its wholly owned Alberta iron property located north east of Grand Prairie, Alberta.