

ELECTRA GOLD LTD

MANAGEMENT DISCUSSION AND ANALYSIS TWELVE MONTH PERIOD ENDED DECEMBER 31, 2006

The following discussion and analysis, prepared as of April 25, 2007, should be read together with the audited financial statements for the twelve month period ended December 31, 2006 and related notes attached thereto, which are prepared in accordance with Canadian generally accepted accounting principles. All amounts are stated in Canadian dollars unless otherwise indicated.

Overview

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

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

The following is a summary of significant events and transactions that occurred during 2006. Specifically:

A \$160,000 Reclamation Bond security was posted by the company to replace the bond posted in 2005 by directors and associates,

The Company and its major customer continued under the terms of a loan agreement dated April 1, 2004 whereby the major customer agreed to establish a secured loan facility to enable the Company to purchase production equipment. All advances bear interest at 8% per annum and are repayable on the basis of \$1.50 per tonne of product purchased by the major customer. Of the \$517,857 advanced under the terms of this loan agreement, \$315,430 remains outstanding as of December 31, 2006.

On April 11, 2006 the Company acquired additional mining claims in the Port Hardy, B.C. area from the President of the Company in exchange for \$1,239 of expenses incurred by the President related to this property. These claims cover a sandstone shale sequence that was diamond drilled and trenched by the company in 2001 and 2002.

On April 26, 2006 the Company acquired the Alberta Iron Claims from the President of the Company in exchange for \$3,408 of expenses incurred by the President related to the property. Preliminary sampling of these claims indicates material assaying in excess of 40% Iron Oxide.

The Company entered into a Letter Agreement dated February 3, 2005 with Lumina Copper Corp. for the exploration development and mining of mineral resources within the North Island Apple Bay Claims. Lumina may earn a 100% in the property by making a total of \$200,000 in cash payments over time to the Company and upon a production decision, paying an additional \$800,000 in cash or shares. The Company retains the right to explore and exploit the property for non-metallic industrial minerals, and in addition, Lumina grants the right to the Company to explore its Hushamu claims for non-metallic industrial minerals. In 2006 the Company received \$40,000 from Lumina under this agreement.

During 2006 Load #46 to Load #72 were sent to the Seattle Cement Plant of Ash Grove Cement which totaled 121,712.35 tonnes of product. Discussions are ongoing with Lafarge Richmond and Lafarge Seattle to supply additional product.

A core drilling program was initiated in the Lang Bay Project in December 2006.

A 6% increase in the price of product sold to the Company's major customer was negotiated in December 2006.

Mr. Doug Stelling, Director and Chairman of the Board of Directors, resigned in December 2006. Director Lana Eagle was elected to be Chairman of the Board of Directors.

On December 14, 2006, pursuant to a Private Placement Agreement, the Company issued 750,000 units at a price of \$0.08 per unit for total proceeds of \$60,000. Each unit consisted of one common share and one purchase warrant. The warrants are exercisable from the date of grant at \$0.10 and expire December 20, 2007.

On December 14, 2006, the Company issued 675,000 common shares at \$0.08 per share pursuant to debt settlement agreement with a the President and Corporate Secretary of the company for the settlement of \$54,000 of indebtedness.

During the year 2006,, 662,500warrants were exercised at a value of \$66,250and 315,261 stock options were exercised at a value of \$33,027.

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

Results of Operations

The Company experienced fourteen consecutive quarters of commercial production. The volume of chalky geyserite shipped in 2006 was about 121,712.35 tonnes. The first quarters of 2006 and 2005 had lower revenues since normally cement plants have planned maintenance shut downs in most first quarters of the year and demand for raw materials is lower in the first quarter than for the rest of the year.

Cost of sales in the period \$2,056,217 (2005 \$2,172,687) can be compared with the sales of \$2,301,676 (2005 \$2,485,269). Note: Gross margin % is 10.66% (2005 – 12.58%).

Operational Events in 2006:

- a) On December 31, 2006 Electra shipped the 72nd barge load of chalky geyserite to Ash Grove Cement since commencing continuous production in September 2003.
- b) Electra received, from the Ministry of Mines, a long term permit dated March 13th, 2006 to mine chalky geyserite up to the amount of 249,000 tonnes per year. This permit approves Electra's 5 year Mine Plan and Water Mitigation System.
- c) The company received a \$40,000 payment from Lumina pursuant to the agreement signed February 3, 2005.
- d) In April 2006 the Company acquired claims covering a sandstone-shale sequence on the outskirts of Port Hardy which was drilled and trenched in 2001 as a possible source of blended product for customers in B.C.

- e) In April 2006 the Company acquired claims in Northern Alberta that preliminary sampling indicated material assaying in excess of 40% Iron Oxide that is intended to be sold to a customer in Alberta.

Selected Financial Information

	Year Ended December 31, 2006	Year Ended December 31, 2005	Year Ended December 31, 2004
	\$	\$	\$
Revenue	2,301,676	2,485,269	1,588,115
Net Income/(Loss)	(481,934)	(127,192)	(107,478)
Basic and Diluted Income/(Loss) per share	(0.02)	(0.01)	(0.01)
Total Assets	1,445,414	1,522,235	1,082,213
Total Long Term Liabilities	178,858	118,002	57,700
Cash Dividends declared per share	-	-	-

Liquidity & Solvency

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

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

	December 31, 2006	December 31, 2005
Working capital (deficiency)	(380,858)	(382,729)
Net loss	(481,934)	(127,192)

As at December 31, 2006 the Company held \$15,936 of cash in treasury (2005 - \$186,874).

Financing activities provided cash of \$424,490 during the year ended December 31, 2006 compared to \$201,632 for the year ended December 31, 2005. Cash provided during the current period consisted of proceeds of share issuances, net of repayments to related parties.

Summary of Quarterly Results

	Year Ended December 31,							
	2006				2005			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	612,346	605,658	658,396	425,276	632,659	588,810	646,948	616,852
Net Income/(Loss)	(177,281)	(106,822)	(63,568)	(134,263)	(21,891)	(124,210)	(50,460)	69,369
Basic and Diluted Income/(Loss) per share	(0.01)	(0.00)	(0.00)	(0.01)	(0.00)	(0.01)	(0.00)	0.00

Capital Resources

The Company has sufficient funds to meet its operational expenses for 2006 and cover anticipated administrative expenses throughout the year. It will continue to focus on the chalky geyserte production at its PEM100 Quarry site in Port Hardy, lowering administrative expenses, exploration on the Lang Bay Property and investigation of the Alberta Iron Project.

Related Party Transactions

The Company entered into the following transactions with related parties:

- a) Paid or accrued management fees of \$35,000 (2005 - \$35,700) to an officer, the Corporate Secretary of the Company, as consulting fees.
- b) Paid management fees of \$30,000 (2005 - \$0) to an officer, the Chief Financial Officer of the Company, as consulting fees.
- c) Paid or accrued geological fees of \$52,550 (2005 - \$80,700) 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 \$20,150 (2005 - \$NIL) to the Company's president that were included in deferred exploration costs pursuant to the Lang Bay Agreement and \$3,296 (2005 - \$NIL) of general expenses to the president and a company controlled by the president.
- e) Paid or accrued royalties totaling \$48,685 (2005 - \$75,134) and \$38,769 (2005 - \$30,057) of documented general expenses to the company's President and a company controlled by the president.
- f) Paid \$1,200 (2005-\$1,200) to a Director of the Company for management consulting services.
- g) Paid \$13,652 (2005 - Nil) to a Director of the Company for per diem, meal allowance, hotel allowance, mileage and undocumented travel expenses.
- h) Paid \$75,000(2005 - Nil) to a company controlled by a Director for investor relations services.
- i) Paid \$3,408 (2005 - Nil) to a Director of the Company for the acquisition of Alberta Iron Mining Project.

On December 20, 2006, the Company issued 625,000 common shares at \$0.08 to the Company's President to settle indebtedness of \$50,000, and issues 50,000 common shares at \$0.08 to the Company's Corporate Secretary to settle indebtedness of \$4,000.

The Company also acquired mineral properties and leased mineral properties from related parties as disclosed in Note 4.

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.

Subsequent Events

Subsequent to the year-end, the following events occurred:

- a) On January 9, 2007 Electra announced that a 6% increase in price per tonne has been negotiated with its main customer which will take effect immediately.
- b) On March 6, 2007 Electra shipped Load #78 to Ash Grove Cement since commencing continuous production in September 2003. A total of 27,187.6 tonnes were shipped in the first quarter of 2007.
- c) The Company is pleased that the high-speed articulating radial stacker load-out system is being installed at Jensen Cove in Port Hardy. This load-out system will be used to load larger barges (up to 12,000 ton capacity), in a more efficient, save and lower cost manner.
- d) A \$60,000 payment was received from Western Copper representing the third payment pursuant to the agreement signed with Lumina on Feb. 3, 2005.
- e) Assay results were received for the Lang Bay drilling which show that the chemistry is suitable for Cement Raw Materials and the Company intends to complete a comprehensive update of its 1989 Market Study on the Lang Bay Project.
- f) 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.
- g) While conducting the 2006 Annual Audit, Auditors presented to management an amount of \$14,440 that was not fully paid in regards to the May 4th, 2006 Private Placement. Management subsequently determined that due to a mis-communication between the respective brokerage firm and the Company, payment from an investor's RRSP account was not issued on a timely basis. The Company has since corrected the issue.

Financial Instruments

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

Outlook

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

Caution Regarding Forward-looking Information

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

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported on a timely basis to senior management, so that appropriate decisions can be made regarding public disclosure. As at the end of the period covered by this management's discussion and analysis, management evaluated the effectiveness of the Company's disclosure controls and procedures as required by Canadian securities laws.

Based on that evaluation, management has concluded that, as of the end of the period covered by this management's discussion and analysis, the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the Company's annual filings and interim filings (as such terms are defined under Multilateral Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings) and other reports filed or submitted under Canadian securities laws is recorded, processed, summarized and reported within the time periods specified by those laws, and that material information is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure.

Internal Controls and Procedures

The Company evaluated the design of its internal controls and procedures over financial reporting as defined under Multilateral Instrument 52-109 for the year ended December 31, 2006. Based on this evaluation, management has concluded that the design of these internal controls and procedures over financial reporting was effective.

Additional information related to the Company available for view on SEDAR at www.sedar.com.