

ELECTRA GOLD LTD.

UN-AUDITED INTERIM FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

NOTICE TO READER

We have compiled the interim balance sheet of Electra Gold Ltd. as at September 30, 2008 and the interim statement of operations, retained earnings and cash flow for the nine 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 STATEMENT OF OPERATIONS AND DEFICIT

FOR THE NINE MONTHS ENDED

	Third Quarter		Year to Date	
	September 30, 2008	September 30, 2007	September 30, 2008	September 30, 2007
SALES	\$ 432,527	\$ 916,302	\$ 1,334,667	\$ 1,822,722
COST OF SALES				
Cost of production	564,165	640,024	1,292,556	1,481,126
Royalties	45,649	54,331	125,778	169,724
Depletion	4,358	4,588	11,142	15,128
	614,172	698,943	1,429,475	1,665,978
GROSS PROFIT	(181,645)	217,359	(94,808)	156,744
EXPENSES				
Amortization	10,681	22,565	32,044	67,694
Consulting and financing fees	64,715	40,621	193,980	155,370
Filing fees	11,780	10,348	25,628	28,311
Management fees	15,800	12,300	49,926	36,900
Office and general	22,448	24,178	84,468	56,972
Professional fees	6,107	-	36,049	22,413
Property investigation expenses	-	2,000	-	2,000.00
Stock-based compensation	-	32,644	5,035	173,080
	131,530	144,656	427,130	542,740
OTHER INCOME				
Option Income	-	-	-	60,000
Interest Income	416	973	5,392	6,521
	416	973	5,392	66,521
Net (Loss) Income for the period	(312,759)	73,676	(516,546)	(319,475)
Deficit, beginning of period	(13,988,474)	(13,948,958)	(13,784,687)	(13,555,807)
Deficit, end of period	\$ (14,301,233)	\$ (13,875,283)	\$ (14,301,233)	\$ (13,875,282)
Basic and diluted loss per share	\$ (0.01)	\$ 0.00	\$ (0.02)	\$ (0.01)
Weighted average number of shares outstanding	34,122,410	28,427,261	34,122,410	28,427,261

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



NOTES TO FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED

	Third Quarter		Year to Date	
	2008	2007	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES				
Net (Loss) Income for the period	\$ (312,759)	\$ 73,676	\$ (516,547)	\$ (319,475)
Items not affecting cash:				
Amortization	8,296	22,565	30,434	67,694
Accrued interest on loan payable	1,617	4,108	7,749	14,667
Loan repayment deducted from sales	(32,620)	(53,042)	(77,364)	(120,614)
Stock-based compensation	-	32,644	-	173,080
Depletion	4,358	4,588	11,142	15,128
Accrued long-term royalties	11,412	13,583	31,444	42,431
Changes in non-cash working capital items:				
Change in receivables	80,106	(150,065)	16,873	11,174
Prepaid Expenses	20,324	4,868	46,415	(6,836)
Due to related parties	(63,771)	(100,348)	-	(100,348)
Change in accounts payable and accrued liabilities	48,275	46,603	123,504	201,813
Net cash provided (used) in operating activities	(234,763)	(100,820)	(326,349)	(21,286)
CASH FLOWS FROM INVESTING ACTIVITIES				
Option payment from mineral properties	-	-	-	60,000
Acquisition of mineral properties	(51,464)	(26,700)	(208,610)	(65,450)
Reclamation Bond	-	-	-	(160,000)
Net cash used in investing activities	(51,464)	(26,700)	(208,610)	(165,450)
CASH FLOWS FROM FINANCING ACTIVITIES				
Common Share Subscription and Contributed Surplus	220,000	220,000	443,873	354,466
Change in cash during the period	(66,228)	92,480	(91,086)	167,731
Cash, beginning of period	253,469	251,187	278,327	175,936
Cash, end of period	\$ 187,241	\$ 343,667	\$ 187,241	\$ 343,667

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.

	September 30 2008	December 31 2007
Working Capital	(160,871)	58,043
Deficit	(14,301,234)	(13,784,688)

2. EQUIPMENT

	September 30 2008			December 31 2007		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 10,381	\$ 8,288	\$ 2,093	\$ 8,288	\$ 6,842	\$ 1,446
Office Trailer	16,160	2,280	13,880	15,197	-	15,197
Trailers	139,332	71,343	67,989	139,332	62,724	76,608
Trucks	<u>376,327</u>	<u>233,003</u>	<u>143,324</u>	<u>376,327</u>	<u>211,857</u>	<u>164,470</u>
	\$ 539,814	\$ 304,233	\$ 227,287	\$ 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).

Unaudited – see notice to reader



NOTES TO FINANCIAL STATEMENTS

3. MINERAL PROPERTIES

2008								
	BALANCE BEGINNING OF YEAR	ACQUISITION AND RETIREMENT COSTS	EXPLORATION EXPENDITURES	OPTION PAYMENT	ACCUMULATED DEPRECIATION	WRITE- OFF	BALANCE END OF PERIOD	
Apple Bay	\$ 715,396	\$ -	\$ 138,934	\$ (80,000)	\$ (11,142)	\$ -	\$ 763,188	
Hankin Pt.	50,000	-	-	-	-	-	50,000	
Lang Bay	98,607	-	7,500	-	-	-	106,107	
Suquash	-	18,742	-	-	-	-	18,742	
WM822	-	118,034	5,400	-	-	-	123,434	
	<u>\$ 864,003</u>	<u>\$ 136,776</u>	<u>\$ 151,834</u>	<u>\$ (80,000)</u>	<u>\$ (11,142)</u>	<u>\$ -</u>	<u>\$ 1,061,471</u>	

2007								
	BALANCE BEGINNING OF YEAR	ACQUISITION AND 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)	-	
	<u>\$ 678,998</u>	<u>\$ 94,000</u>	<u>\$ 177,879</u>	<u>\$ (60,000)</u>	<u>\$ (23,466)</u>	<u>\$ (3,408)</u>	<u>\$ 864,003</u>	

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. Part of this agreement calls for Alumina to keep the property in good standing.

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. Please refer to www.sedar.com for the complete details.



NOTES TO FINANCIAL STATEMENTS

4. 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 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	14,795,566
Funds deposited from placement	-	5,000	-	5,000
Shares issued from placement	125,000	-	-	-
Stock based compensation	-	-	5,035	5,035
Shares issued in settlement of debt	1,714,167	137,133	-	137,133
Issued for cash				
Exercise of stock options at \$0.10	520,522	62,463	(10,410)	52,052
Warrant exercise @ \$0.12	187,500	22,500	-	22,500
Private placement @ \$0.08 per unit	2,750,000	220,000	-	220,000
Balance as at September 30, 2008	38,202,963	\$ 14,581,218	\$ 656,069	\$ 15,237,286

Period Ended September 30, 2008

- i) On July 31, 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 in connection with the private placement announced on June 27, 2008.
- ii) 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.

Unaudited – see notice to reader



NOTES TO FINANCIAL STATEMENTS

Period Ended December 31, 2007

- iii) 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.
- iv) 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

- v) 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.
- vi) 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 September 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

Unaudited – see notice to reader



NOTES TO FINANCIAL STATEMENTS

The following table summarizes the Company's warrants 4,550,000 outstanding for the period ended September 30, 2008:

2008		
Number	Exercise Price	Expiry Date
1,800,000	\$ 0.16	December 5, 2008
2,750,000	\$ 0.10	July 31, 2009
4,550,000	\$ 0.13	Average exercise

5. LOAN PAYABLE – MAJOR CUSTOMER

During the third quarter, \$432,527 (December 31, 2007 - \$2,344,882) of the Company's sales were to a 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 September 30, 2008, the Company owed \$82,451 (December 31, 2007 - \$159,816) under this loan facility. Total repayments in the period totaled \$34,237 (December 31, 2007 - \$155,614) and consisted of accrued interest of \$1,617 (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 September 30, 2008, the Company entered into the following transactions with related parties:

- a) Paid or accrued management fees of \$36,875 (2007 - \$6,500) to officers and directors of the Company.
- b) Paid or accrued geological fees of \$33,652 (2007 - \$26,700) to the Company's president that were included in deferred exploration costs pursuant to the Apple Bay Agreement.
- c) Paid or accrued royalties totaling \$9,130 (2007 - \$10,866) and \$5,873 (2007 - \$10,998) of general expenses to the president and a company controlled by the president.



NOTES TO FINANCIAL STATEMENTS

7. ROYALTIES PAYABLE

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 September 30, 2008 an amount of \$270,334 (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 September 30, 2008.

8. SUBSEQUENT EVENTS

Subsequent to the period ended September 30, 2008:

- 1,875,000 flow-through common shares with an issuance price of \$0.08 each, and 1,875,000 common share purchase warrants with an exercise price of \$0.10 for a period of two years were issued on November 17, 2008 in connection with the private placement announced on October 20, 2008.
- The TSX Venture Exchange has accepted Electra's filing of an option agreement with Hanam Canada Marketing Corp. whereby the company will acquire the rights to obtain coal licences covering the Suquash coal field. The considerations for the acquisition are: \$8,800 cash on execution of agreement; and three million shares of the company on the following schedule – 500,000 shares on issue of shares by April 30, 2009. Please see www.sedar.com for complete details.