

# **ELECTRA GOLD LTD.**

## **FINANCIAL STATEMENTS**

**JUNE 30, 2005**

**ELECTRA GOLD LTD.**  
**INTERIM BALANCE SHEET**  
**SIX MONTH PERIOD ENDED JUNE 30, 2005 (UNAUDITED)**

	June 30, 2005	December 31, 2004
		Audited
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 121,395	\$ 57,965
Receivables	<u>185,557</u>	<u>241,111</u>
	306,952	299,076
<b>Reclamation Bond</b>	50,000	50,000
<b>Equipment</b>	423,482	115,511
<b>Mineral properties</b>	<u>588,927</u>	<u>617,626</u>
	<u>\$ 1,369,361</u>	<u>\$ 1,082,213</u>

**LIABILITIES AND SHAREHOLDERS' EQUITY**

**Current**

Accounts payable and accrued liabilities	\$ 180,210	\$ 485,100
Due to related parties (Note 2)	<u>118,215</u>	<u>115,382</u>
	298,425	600,482

**Long Term payables**

	<u>545,496</u>	<u>57,700</u>
	843,921	658,182

**Shareholders' equity**

Capital stock (Note 3)	12,803,974	12,766,374
Contributed surplus	434,791	352,291
Common shares to be issued	252,047	252,047
Share Issue Cost	(37,600)	
Deficit	<u>(12,927,772)</u>	<u>(12,946,681)</u>
	<u>525,440</u>	<u>424,031</u>
	<u>\$ 1,369,361</u>	<u>\$ 1,082,213</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.

**ELECTRA GOLD LTD.**  
**INTERIM STATEMENT OF OPERATIONS AND DEFICIT**  
**SIX MONTH PERIOD ENDED JUNE 30 (UNAUDITED)**

	Three Month Period Ended June 30, 2005	Three Month Period Ended June 30, 2004	Six Month Period Ended June 30, 2005	Six Month Period Ended June 30, 2004
<b>SALES</b>	\$ 646,958	\$ 455,944	\$ 1,263,871	\$ 570,554
<b>COST OF SALES</b>				
Cost of production	472,927		863,706	
Royalties	37,738		83,724	
Depletion	4,350	408,032	8,700	487,074
	<u>515,015</u>	<u>408,032</u>	<u>956,130</u>	<u>487,074</u>
<b>GROSS PROFIT</b>	\$ 131,943	\$ 47,912	\$ 307,741	\$ 83,480
<b>EXPENSES</b>				
Amortization	\$ 30,224	\$	\$ 51,655	\$
Consulting and financing fees	85,648		126,344	
Filing Fees	3,708	314	10,232	3,114
Foreign Exchange		(16)		(7,958)
Management fees	12,300	15,200	23,100	28,645
Office and general	20,197	22,661	29,425	33,300
Property expense	1,230	-	11,885	7,431
Professional fees	29,096	29,485	36,191	32,830
	<u>\$ 182,403</u>	<u>\$ 67,644</u>	<u>\$ 288,832</u>	<u>\$ 97,362</u>
<b>Net income (loss) for the period</b>	(50,460)	(19,732)	18,909	(13,882)
<b>Deficit, beginning of period</b>	(12,877,312)	(12,833,353)	(12,946,681)	(12,839,203)
<b>Deficit, end of period</b>	\$ (12,927,772)	\$ (12,853,085)	\$ (12,927,772)	\$ (12,853,085)
<b>Basic and diluted loss per share</b>	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
<b>Weight average number of common shares outstanding</b>	19,145,801	18,876,294	19,145,801	18,876,294

Unaudited  
The accompanying notes are an integral part of the financial statements.

**ELECTRA GOLD LTD.**  
**INTERIM STATEMENT OF CASH FLOWS**  
**SIX MONTH PERIOD ENDED JUNE 30 (UNAUDITED)**

	Three Month Period Ended June 30, 2005	Three Month Period Ended June 30, 2004	Six Month Period Ended June 30, 2005	Six Month Period Ended June 30, 2004
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net income (loss) for the period	\$ (50,460)	\$ (19,732)	\$ 18,909	\$ (13,882)
Items not affecting cash:				
Amortization	30,224		51,655	
Depletion	4,350		8,700	
Stock Based Compensation	62,500		82,500	
Accrued royalties	9,434		20,931	
Changes in non-cash working capital items:				
Increase in receivables	(63,352)	(115,056)	55,554	76,114
Increase (decrease) in account payable and accrued liabilities	(49,823)	215,872	(364,891)	(6,606)
Net cash used in operating activities	<u>(57,127)</u>	<u>81,083</u>	<u>(126,642)</u>	<u>55,626</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Option payment from mineral properties	-		20,000	
Purchase of equipment	<u>(175,850)</u>	<u>(36,594)</u>	<u>(359,626)</u>	<u>(36,594)</u>
Net cash used in investing activities	<u>(175,850)</u>	<u>(36,594)</u>	<u>(339,626)</u>	<u>(36,594)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Advance from related parties	1,105		2,833	(5,102)
Common Shares Subscription	-	45,902	-	146,759
Note payable	<u>260,485</u>		<u>526,865</u>	
Net cash provided by financing activities	<u>261,590</u>	<u>45,902</u>	<u>529,698</u>	<u>141,657</u>
<b>Change in cash position during the period</b>	<b>28,613</b>	<b>90,391</b>	<b>63,430</b>	<b>160,689</b>
<b>Cash position, beginning of period</b>	<b><u>142,782</u></b>	<b><u>72,528</u></b>	<b><u>107,965</u></b>	<b><u>2,230</u></b>
<b>Cash position, end of period</b>	<b>\$ 171,395</b>	<b>\$ 162,919</b>	<b>\$ 171,395</b>	<b>\$ 162,919</b>
<b>Cash paid during the period for:</b>				
Interest	\$ -	\$ -	\$ -	\$ -
Income taxes	-	-	-	-

**Supplemental disclosure with respect to cash flows**

Unaudited  
The accompanying notes are an integral part of the financial statements.

**ELECTRA GOLD LTD.**  
INTERIM NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDING JUNE 30, 2005

**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.

Certain reclassifications have been made to the prior period financial statements to conform to the current period presentation.

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, 2005	December 31, 2004
Working Capital	8,527	(301,406)
Deficit	(12,927,772)	(12,946,681)

**2. DUE TO RELATED PARTIES**

At June 30, 2005 a total of \$118,215 (December 2004 - \$115,382) funds advanced to the Company by directors for fees, royalties and expenses. They 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.

**ELECTRA GOLD LTD.**  
**INTERIM NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDING JUNE 30, 2005**

**3. CAPITAL STOCK**

	Number of Shares	Amount
Authorized		
100,000,000 common shares without par value		
Issued		
Balance as at December 31, 2002	6,706,923	\$ 10,405,139
Private placement	3,000,000	262,400
Pursuant to debt settlement agreements (Note 8)	4,523,126	1,474,535
Pursuant to Apple Bay mineral property agreement (Note 4)	3,000,000	300,000
Pursuant to Hankin Point property agreement (Note 4)	500,000	50,000
Pursuant to Lang Bay property agreement (Note 4)	<u>500,000</u>	<u>50,000</u>
Balance as at December 31, 2003	18,230,049	12,542,074
Exercise of warrants	750,000	112,500
Private placement	<u>447,200</u>	<u>111,800</u>
Balance as at December 31, 2004	19,427,249	\$ 12,766,374
Shares issued in settlement of debt January 24, 2005	<u>975,334</u>	<u>252,047</u>
Balance as at June 30, 2005	<u>20,402,583</u>	<u>\$ 13,018,421</u>

a) On January 24, 2005, the Company issued 975,334 of common shares in settlements of indebtedness of \$252,047.

**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 plan, 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.

The following table summarizes the Company's stock options and stock option changes during the periods ended June 30, 2005 and December 31, 2004.

	June 30 2005		December 31 2004	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding, beginning of period	1,350,000	0.10	1,300,000	\$ 0.10
Granted	1,650,000	0.10	50,000	0.10
Exercised	(50,000)		-	-
Forfeited	<u>(1,250,000)</u>		<u>-</u>	<u>-</u>
Outstanding, end of period	1,700,000	0.10	1,350,000	\$ 0.10

Unaudited  
The accompanying notes are an integral part of the financial statements.

**ELECTRA GOLD LTD.**  
**INTERIM NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDING JUNE 30, 2005**

**3. CAPITAL STOCK (Continued)**

The following table summarizes the Company's stock options outstanding at June 30, 2005 and December 31, 2004:

June 30, 2005			December 31, 2004		
Number	Exercise Price	Expiry Date	Number	Exercise Price	Expiry Date
50,000	\$ 0.10	June 10, 2005	1,300,000	\$ 0.10	April 11, 2005
400,000	\$ 0.10	January 6, 2007	50,000	\$ 0.10	June 10, 2005
1,250,000	\$ 0.10	May 15, 2007			

On January 6, 2005 the Company granted 400,000 options to a consultant to purchase 400,000 shares at a price of \$0.10 to January 6, 2007.

On April 10, 2005 an employee, who is also an officer of the Company, exercised 50,000 options at \$0.10.

On April 11, 1,250,000 options were granted to employees of the Company expired.

On May 15, 2005 the Company granted 1,250,000 to options to employees of the Company to purchase 1,250,000 shares at a price of \$0.10 to May 15, 2007.

The total stock-based compensation recognized in the period for stock options granted to consultants and employees was \$62,500 (December 31, 2004 - \$2,000).

**4. RELATED PARTY TRANSACTIONS**

The Company paid or accrued management fees of \$9,300 (December 31, 2004 - \$43,700) to an officer of the Company. The Company paid geological fees of \$5,154 (December 31, 2004 - \$73,800) to the Company's president that were included in deferred exploration costs. Royalties totaling \$7,547 (December 31, 2004 -\$35,621) and \$0 (December 31, 2004 - \$14,680) of general expenses, geological and other property investigation costs were paid or accrued to the President and a company controlled by the President.

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.

**5. MINERAL PROPERTIES**

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 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.

**ELECTRA GOLD LTD.**  
**INTERIM NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDING JUNE 30, 2005**

**5. MINERAL PROPERTIES (Continued)**

	<b>2005</b>				<b>2004</b>
	Balance, Beginning of Period	Acquisition Costs	Deferred Expenditures	Accumulated Depletion	Balance, End of Period
Apple Bay	\$ 517,626	\$ (20,000)	\$ -	\$ (8,700)	\$ 493,276
Hankin Point	50,000	-	-	-	50,000
Lang Bay	50,000	-	-	-	50,000
<b>Total</b>	<b>\$ 617,626</b>	<b>\$ (20,000)</b>	<b>\$ -</b>	<b>\$ (8,700)</b>	<b>\$ 593,276</b>

	<b>2004</b>				<b>2004</b>
	Balance, Beginning of Year	Acquisition Costs	Deferred Expenditures	Accumulated Depletion	Balance, End of Year
Apple Bay	\$ 407,138	\$ 125,695	\$ -	\$ (15,207)	\$ 517,626
Hankin Point	50,000	-	-	-	50,000
Lang Bay	50,000	-	-	-	50,000
<b>Total</b>	<b>\$ 507,138</b>	<b>\$ 125,695</b>	<b>\$ -</b>	<b>\$ (15,207)</b>	<b>\$ 617,626</b>

**6. LONG-TERM PAYABLES**

The Company and its major customer entered into 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 \$1.00 per tonne of product purchased by the major customer.

The Company also entered into a Participation and Royalty Agreement with the Quatsino 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 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, 2005 an amount of 78,631 (December 31, 2004 \$57,700) is owing under this deferral arrangement and as production is unlikely to reach 200,000 tonnes in the coming year it has been recorded as a long term liability.

Note Payable – Major Customer	526,865
Less: current portion in accrued payables	<u>(60,000)</u>
	466,865
Long term portion of Royalty Agreement	<u>78,631</u>
<b>Total Long-Term Payables</b>	<b>545,496</b>

**ELECTRA GOLD LTD.**  
INTERIM NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDING JUNE 30, 2005

**7. SUBSEQUENT EVENTS**

On July 21, 2005 a \$110,000 Reclamation Bond security was provided by directors, officers and certain associates of these related parties in consideration for the issuance of 176,000 shares, subject to regulatory approval.

## **ELECTRA GOLD LTD.**

### **MANAGEMENT DISCUSSION AND ANALYSIS SIX MONTH PERIOD ENDED JUNE 30, 2005**

The following discussion and analysis, prepared as of August 25, 2005, should be read together with the Second Quarter financial statements for the six month period ended June 31, 2005 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 and near Powell River. 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 the quarter. Specifically:

On April 10, 2005 an employee, who is also an officer of the Company, exercised 50,000 options at \$0.10.

On April 11, 1,250,000 options were granted to employees of the Company expired.

On May 15, 2005 the Company granted 1,250,000 to options to employees of the Company to purchase 1,250,000 shares at a price of \$0.10 to May 15, 2007.

In the second quarter the two special Haul Trucks purchased in the first quarter were delivered to the quarry April 19 and April 29, 2005.

During the second quarter Load #25 to Load 31 were sent to the Seattle Cement Plant of Ash Grove Cement which totaled 32,159.9 tonnes of product. A bulk sample of 2,200 tonnes of higher alumina chalky geyserite was sent to LaFarge Cement Plant in Richmond, B.C. on May 31 representing the 1<sup>st</sup> shipment to LaFarge.

#### **Results of Operations**

The Company experienced four consecutive quarters of commercial production. The volume of chalky geyserite shipped in the second quarter was about 32,159.9 tonnes. The first quarter of 2004 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 \$515,015 (December 31, 2004 \$1,521,212) can be compared with the sales for the period of \$646,958 (December 31, 2004 \$1,588,115). Note: Gross margin has improved from 4.2% for the year ended December 2005 to 20% year to date.

Unaudited

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

**ELECTRA GOLD LTD.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**SIX MONTH PERIOD ENDED JUNE 30, 2005**

**Selected Financial Information**

	<b>Six Months Ended June 30, 2005</b>	<b>Six Months Ended June 30, 2005</b>	<b>Year Ended December 31, 2004</b>	<b>Year Ended December 31, 2003</b>	<b>Year Ended December 31, 2002</b>
	<b>\$</b>	<b>\$</b>			
<b>Revenue</b>	1,263,871	570,554	1,588,115	502,520	-
<b>Income/(Loss) before discontinued operations</b>	N/A	N/A	N/A	N/A	(109,988)
<b>Net Income/(Loss)</b>	(8,907)	(13,882)	(107,478)	(817,211)	805,847
<b>Basic and Diluted Income/(Loss) per share before discontinued operations</b>	N/A	N/A	N/A	N/A	(0.01)
<b>Basic and Diluted Income/(Loss) per share</b>	0.00	0.00	(0.01)	(0.06)	0.13
<b>Total Assets</b>	1,369,361	862,896	1,082,213	765,508	287,853
<b>Total Long Term Liabilities</b>	843,921	681,959	57,700	-	55,611
<b>Cash Dividends declared per share</b>	-	-	-	-	-

**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 geyserrite 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 much lower corporate expenses.

	<b>June 30, 2005</b>	<b>June 30, 2004</b>
Working capital (deficiency)	8,527	(369,862)
Net income (loss)	18,909	(13,882)

As at June 30, 2005 the Company held \$121,395 of cash in treasury and net income for the period of \$98,566.

Net cash used for investing activities for the period ended June 30, 2005 was \$(175,850) compared to net cash used by investing activities of \$(175,695) during the year ended December 31, 2004.

Financing activities provided cash of \$261,590 during the period ended June 30, 2005 compared to \$25,898 for the year ended December 31, 2004.

**ELECTRA GOLD LTD.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**SIX MONTH PERIOD ENDED JUNE 30, 2005**

**Summary of Quarterly Results**

	Year Ended December 31,							
	2005		2004				2003	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Revenue</b>	646,958	616,852	653,500	364,061	455,944	114,610	502,520	-
<b>Net Income/(Loss)</b>	(50,460)	69,369	(13,116)	(80,480)	(19,732)	5,850	(611,249)	(108,890)
<b>Basic and Diluted Income/(Loss) per share</b>	(0.00)	0.00	(0.01)	(0.00)	(0.00)	(0.00)	(0.05)	(0.01)

**Capital Resources**

The Company has sufficient funds to meet its operational expenses for 2005 and cover anticipated administrative expenses throughout the year. It will continue to focus on the chalky geysereite production at its PEM100 Quarry site in Port Hardy and lowering administrative expenses.

**Related Party Transactions**

The Company paid or accrued management fees of \$9,300 (December 31, 2004 - \$43,700) to an officer of the Company. The Company paid geological fees of \$5,154 (December 31, 2004 - \$73,800) to the Company's president that were included in deferred exploration costs. Royalties totaling \$7,547 (December 31, 2004 - \$35,621) and \$0 (December 31, 2004 - \$14,680) of general expenses, geological and other property investigation costs were paid or accrued to the President and a company controlled by the President.

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.

**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.

**Share Data**

4. As at March 31, 2005

- a) Authorized share capital: 100,000,000 common shares without par value;
- b) Shares issued and outstanding: 20,402,583 common shares; Capital stock: \$13,018,421;
- c) 1,700,000 stock options at an average price of \$0.10 per share.

**ELECTRA GOLD LTD.  
MANAGEMENT DISCUSSION AND ANALYSIS  
SIX MONTH PERIOD ENDED JUNE 30, 2005**

**Subsequent Events**

On July 21, 2005 a \$110,000 Reclamation Bond security was provided by directors, officers and certain associates of these related parties in consideration for the issuance of 176,000 shares, subject to regulatory approval.

**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.

Additional information related to the Company available for view on SEDAR at [www.sedar.com](http://www.sedar.com).