

ELECTRA GOLD LTD.

INTERIM FINANCIAL STATEMENTS

FOR THE QUARTERS ENDED SEPTEMBER 30, 2010 AND 2009
(Expressed in Canadian Dollars, unless otherwise noted)
(Un-audited, prepared by management)

NOTICE TO READER

We have compiled the interim balance sheets of Electra Gold Ltd. as at September 30, 2010 and the interim statement of operations, retained earnings and cash flow for the three and 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.

ELECTRA GOLD LTD.

BALANCE SHEETS

(Expressed in Canadian Dollars, unless otherwise noted)

	SEPT 30 2010	DEC 31 2009
ASSETS		
Current		
Cash	\$ 12,902	\$ 231,906
Accounts receivable	487,277	26,285
Prepaid expenses	8,391	5,989
Inventory	63,750	151,100
	<u>572,319</u>	<u>415,180</u>
Reclamation Deposits (Note 3)	182,500	172,500
Equipment (Note 4)	13,821	31,382
Mineral Properties (Note 5)	976,697	685,307
	<u>976,697</u>	<u>685,307</u>
	<u>\$ 1,745,337</u>	<u>\$ 1,304,369</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 769,045	\$ 314,684
Deferred revenue	-	87,329
Due to related parties (Note 7)	206,383	398,445
	<u>975,428</u>	<u>800,458</u>
Royalties Payable (Note 8)	346,217	323,908
Asset Retirement Obligation (Note 9)	105,618	105,618
	<u>1,427,263</u>	<u>1,229,984</u>
SHAREHOLDERS' EQUITY		
Share Capital (Note 10)	15,834,372	15,569,822
Contributed Surplus (Note 10)	635,321	635,321
Deficit	(16,151,620)	(16,130,758)
	<u>318,073</u>	<u>74,385</u>
	<u>\$ 1,745,337</u>	<u>\$ 1,304,369</u>

Going concern (Note 1)
Commitments (Note 5)
Subsequent events (Note 15)

Approved on behalf of the Board of Directors:

"Johan Shearer"
Director

"Mark Tommasi"
Director

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

ELECTRA GOLD LTD.

STATEMENTS OF OPERATIONS

(Expressed in Canadian Dollars, unless otherwise noted)

	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	2010	2009	2010	2009
Sales	\$ 634,376	\$ 727,045	\$ 1,015,428	\$ 1,397,722
Cost Of Sales				
Cost of production	310,823	614,983	877,046	1,247,651
Royalties	42,104	65,553	90,734	116,467
Depletion and accretion	-	4,883	-	10,552
	352,927	685,419	967,780	1,374,670
Gross Profit	281,449	41,626	47,648	23,052
Expenses				
Amortization	-	12,563	-	37,589
Consulting and financing fees	36,350	17,950	100,795	111,874
Directors' fees	7,000	-	12,000	-
Filing fees	10,033	12,318	26,195	29,202
Management fees	4,560	13,500	12,160	41,000
Office and general	9,374	16,459	22,755	70,284
Professional fees	7,960	35,762	31,283	41,545
Property investigation expenses	-	-	-	1,603
Stock-based compensation	-	-	-	15,210
	75,277	108,552	205,188	348,306
Other Income				
Interest income	26	66	128	3,173
Gain on share for debt settle	136,550	-	136,550	-
	136,576	66	136,678	3,173
Net Income (Loss) For The Period	\$ 342,747	\$ (66,861)	\$ (20,861)	\$ (322,080)
Basic And Diluted Income (Loss) Per Share	\$ 0.01	\$ -	\$ -	\$ (0.01)
Weighted Average Number Of Shares Outstanding	63,578,317	41,840,203	63,578,317	41,840,203

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

ELECTRA GOLD LTD.

STATEMENTS OF SHAREHOLDERS' EQUITY

(Expressed in Canadian Dollars, unless otherwise noted)

	SHARE CAPITAL		CONTRIBUTED	DEFICIT	TOTAL
	SHARES	AMOUNT	SURPLUS		
Balance, December 31, 2008	39,952,963	14,719,299	620,111	(14,488,460)	850,950
Shares issued for property	4,250,000	240,000	-	-	240,000
Share issued for debt at \$0.045	3,373,977	148,523	-	-	148,523
Shares issued for cash:					
Private placement at \$0.05 per unit	2,600,000	130,000	-	-	130,000
Private placement at \$0.05 per unit	600,000	30,000	-	-	30,000
Finders' fees	-	(11,000)	-	-	(11,000)
Private placement at \$0.05 per unit	2,000,000	100,000	-	-	100,000
Private placement at \$0.05 per unit	6,000,000	300,000	-	-	300,000
Finders' fees	-	(29,500)	-	-	(29,500)
Fair value of vesting stock options	-	-	15,210	-	15,210
Tax benefit on flow-through shares	-	(57,500)	-	-	(57,500)
Net loss for the year	-	-	-	(1,642,298)	(1,642,298)
Balance, December 31, 2009	58,776,940	\$ 15,569,822	\$ 635,321	\$(16,130,758)	\$ 74,385
Shares issued for cash:					
Private placement at \$0.05 per unit	2,400,000	120,000	-	-	120,000
Finder's fees	-	(12,000)	-	-	(12,000)
Shares issued for debt at \$0.025	5,462,000	136,500	-	-	136,500
Shares issued for property	800,000	20,000	-	-	20,000
Net loss for the period	-	-	-	(20,861)	(20,861)
Balance, September 30, 2010	67,438,940	\$ 15,834,322	\$ 635,321	\$(16,151,619)	\$ 318,024

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

ELECTRA GOLD LTD.

STATEMENTS OF CASH FLOWS (Expressed in Canadian Dollars, unless otherwise noted)

	THREE MONTHS		NINE MONTHS	
	ENDED SEPTEMBER 30		ENDED SEPTEMBER 30	
	2010	2009	2010	2009
Cash Flows (Used In) Provided By				
Operating Activities				
Net loss for the period	\$ 342,747	\$ (66,861)	\$ (20,861)	\$ (322,080)
Adjustments to reconcile net loss to net cash used in operating activities:				
Amortization	(147)	12,563	(440)	37,268
Accrued long-term royalties	10,526	16,388	22,308	16,039
Depletion	-	4,883	-	10,552
Stock based compensation	-	-	-	15,210
	10,379	33,834	21,868	79,069
Changes in operating assets and liabilities:				
Decrease (Increase) in accounts receivable	(450,556)	(89,436)	(460,992)	11,861
Decrease (Increase) in prepaid expenses	6,075	(93,732)	(2,402)	(105,505)
Decrease (Increase) in inventory	(12,750)	-	87,250	-
Increase (Decrease) in accounts payable and accrued liabilities	(10,120)	(142,471)	262,300	162,091
Increase (Decrease) in deferred revenue	-	-	(87,329)	-
	(114,225)	(358,666)	(200,165)	(174,565)
Investing Activities				
Acquisition of equipment	-	-	18,000	-
Mineral property acquisition and exploration expenditures	(70,812)	(94,733)	(301,390)	(250,871)
	(70,812)	(94,733)	(283,390)	(250,871)
Financing Activities				
Proceeds from share issuances and contributed surplus	156,550	515,613	264,550	515,613
Loan repayment	-	(16,764)	-	(45,310)
	156,550	498,849	264,550	470,303
Net (Decrease) Increase In Cash	(28,488)	45,450	(219,004)	44,866
Cash, Beginning Of Period	213,890	185,383	404,406	185,966
Cash, End Of Period	\$ 185,402	\$ 230,833	\$ 185,402	\$ 230,832
Supplemental Information				
Cash activities:				
Interest paid	\$ -	\$ -	\$ -	\$ -
Income taxes paid	\$ -	\$ -	\$ -	\$ -

Supplemental Cash Flow Information (Note 12)

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

ELECTRA GOLD LTD.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2010 AND 2009

(Expressed in Canadian Dollars, unless otherwise noted)

1. NATURE OF OPERATIONS, ECONOMIC DEPENDENCE AND GOING CONCERN

Electra Gold Ltd. (the "Company") is a mining company, specializing in the development of and exploration for industrial minerals used in the cement industry. The Company was incorporated in the Province of British Columbia on December 1, 1981 as a result of the amalgamation of Electra Mining Corporation and Pacific North West Resources Ltd.

The Company is in the process of mining the Apple Bay mineral properties located on Vancouver Island near Port Hardy, British Columbia. 61% of the Company's entire mineral production in 2009 was sold to one customer (2008 – 79%) (the "Customer"). In addition, 32% of cost of sales (2008 - 40%) was performed by a private company owned by a shareholder of the Company. Another private company owned by a shareholder of the Company performed 16% of the cost of sales (2008- \$Nil). The mineral claims are located on crown land within the traditional territory of a first nation band. The Company's operations are exposed to the financial and operating risks of these business partners.

The Company is in the process of exploring other industrial mineral properties and is considered to be an exploration company. The recoverability of the amounts shown for these other mineral exploration properties is dependent on the existence of economically recoverable reserves on these properties. Due to the historical losses generated by the operations of PEM 100 Quarry, discussions are taking place regarding the possibility of vending out the operation.

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 Company has incurred losses since inception. The Company has accumulated a deficit of \$16,151,620 and has a working capital deficit of \$403,109 at September 30, 2010. The Company's ability to continue as a going concern is dependent upon its ability to obtain continued credit and operational support from its operational partners and management. Management plans to obtain increased net cash inflow from Customer revenues, additional customers for its products, lower operating costs, and share capital financing from shareholders and new investors. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

A demand letter was received from a former contractor of the Company on April 28, 2010 in the amount of \$525,913 pertaining to accounts payable in the 2010 year, which the Company is vigorously disputing. The Company is of the opinion that the claim is false and without merit due to a breach of contract and non performance of the contractor. As at November 29, 2010, the Company has filed a countersuit requesting damages.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For a full detailed listing of the Company's accounting policies please refer to the Annual Audited Financial Statements on www.sedar.com.

ELECTRA GOLD LTD.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2010 AND 2009

(Expressed in Canadian Dollars, unless otherwise noted)

3. RECLAMATION DEPOSITS

The Company has posted reclamation term deposits with the Company's bankers in the amount of \$182,500 (2009 - \$172,500) as a condition of approval to a Work System and Reclamation Program Permit issued by B.C. Ministry of Energy, Mines and Petroleum Resources. These deposits bear interest at a weighted average of 0.06% per annum and mature between June and October 2010.

4. EQUIPMENT

	2010		
	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE
Computer equipment	\$ 10,381	\$ 7,988	\$ 2,393
Office trailer	17,107	5,679	11,428
	<u>\$ 27,488</u>	<u>\$ 13,667</u>	<u>\$ 13,821</u>

	2009		
	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE
Computer equipment	\$ 10,381	\$ 8,427	\$ 1,954
Office trailer	16,234	5,679	11,428
Grader	18,000	-	18,000
	<u>\$ 48,488</u>	<u>\$ 14,106</u>	<u>\$ 31,382</u>

The Company decided to return the grader during the quarter to its vendor with no gain or loss associated on the transaction due to uncertainty regarding the PEM 100 mineral property.

ELECTRA GOLD LTD.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2010 AND 2009

(Expressed in Canadian Dollars, unless otherwise noted)

5. MINERAL PROPERTIES

		2010							
		BALANCE BEGINNING OF YEAR	ACQUISITION AND RETIREMENT COSTS	EXPLORATION EXPENDITURES	METC REFUND	OPTION PAYMENT	ACCUMULATED DEPRECIATION	WRITE-OFF	BALANCE END OF PERIOD
Production Property									
	Apple Bay	\$ -	\$ -	\$ 138,404	\$ -	\$ -	\$ -	\$ -	\$ 138,404
Exloration Properties									
	Apex Dot	-	15,000	-	-	-	-	-	15,000
	Clone	190,000	-	-	-	-	-	-	190,000
	Lang Bay	113,607	-	4,000	-	-	-	-	117,607
	Suquash	381,700	-	33,986	-	-	-	-	415,686
	Racetrack	-	100,000	-	-	-	-	-	100,000
		\$ 685,307	\$ 115,000	\$ 176,390	\$ -	\$ -	\$ -	\$ -	\$ 976,697
		2009							
		BALANCE BEGINNING OF YEAR	ACQUISITION AND RETIREMENT COSTS	EXPLORATION EXPENDITURES	METC REFUND	OPTION PAYMENT	ACCUMULATED DEPRECIATION	WRITE-OFF	BALANCE END OF PERIOD
Production Property									
	Apple Bay	\$ 930,669		\$ 227,845	\$ (50,990)	\$ -	\$ (22,490)	\$(1,085,034)	\$ -
Exloration Properties									
	Clone	-	190,000	-	-	-	-	-	190,000
	Hankin Pt.	50,000		-			-	(50,000)	-
	Harvey Cove	-	-	12,764		12,000	-	(24,764)	-
	Lang Bay	107,607		6,000			-	-	113,607
	Suquash	195,725		185,975			-	-	381,700
		\$ 1,284,001	\$ 190,000	\$ 432,584	\$ (50,990)	\$ 12,000	\$ (22,490)	\$(1,159,798)	\$ 685,307

ELECTRA GOLD LTD.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2010 AND 2009

(Expressed in Canadian Dollars, unless otherwise noted)

5. MINERAL PROPERTIES (Continued)

a) Apple Bay

The Company has agreements under which it has acquired industrial mineral and metal rights to one mining lease and a surrounding block of contiguous mineral claims known as Apple Bay, lying southwest of the town of Port Hardy on northern Vancouver Island in British Columbia. The total area covered is about 1,900 hectares.

The Company signed lease and sublease agreements dated September 30, 2002 with a director and an officer of the Company, a company controlled by this individual and an unrelated party. Pursuant to the agreements, the Company leased the mineral rights to the Apple Bay property located near Port Hardy on Vancouver Island for an initial term expiring February 7, 2031. In consideration, the Company issued 3,000,000 shares at \$0.10 per share and agreed to pay two royalties to each of the related and unrelated parties which total \$1.00 per metric tonne of industrial product sold on the property. The Company may purchase one half of each of the royalties for \$500,000. Both royalty holders have provided a right of first refusal to the Customer to purchase these royalties. The Company also agreed to spend \$100,000 in exploration expenditures during the first year of the agreement (spent) and an aggregate of \$300,000 (spent) within five years. The Company will also pay a 3% net smelter returns royalty ("NSR") for all base and precious metals produced from the property.

Pursuant to an agreement dated June 25, 2003, the Company purchased additional Apple Bay claims from a director and an officer of the Company, for \$13,140 which represented the related party's carrying cost, plus a 0.5% NSR on all base and precious metals produced from the property.

The Company entered into an agreement dated February 3, 2005 with a company for the exploration development and mining of base and precious mineral resources within the Apple Bay property. The company 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, was granted the right to explore certain of the company's mineral claims for non-metallic industrial minerals. In 2009, the Company received a payment of \$ Nil (2008 - \$80,000) pursuant to the agreement.

In late 2007 a permit was received from the Ministry of Energy, Mines and Petroleum Resources to construct an access road. The road was completed in March 2008 for expanded access beyond the currently producing quarry. In the year ended 2009, in light of a recent valuation of the quarry completed in January 2010 the Company decided to write-off the asset in the amount of \$1,085,034 due to the negligible value and drain on cash flow. During the period ended September 30, 2010 expenditures of \$138,010 were spent on the property to maintain its good standing and functionality.

ELECTRA GOLD LTD.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2010 AND 2009

(Expressed in Canadian Dollars, unless otherwise noted)

5. MINERAL PROPERTIES (Continued)

b) Suquash Project

On August 7, 2008, the Company entered into a purchase agreement with an unrelated party to buy all of its rights to obtain coal leases covering the Suquash coal mine near Fort Rupert with the BC Ministry of Energy, Mines and Petroleum Resources, and to explore and develop the Suquash Coalfield. The agreement calls for a purchase price of \$8,800 (paid) and the allotment of 3,000,000 common shares of the Company, as per the following schedule:

- 500,000 shares upon the issue of a mine exploration permit and the written support for the project by the Fort Rupert Band Council (issued);
- 500,000 shares by April 30, 2009 (issued);
- 1,000,000 shares on the completion of a NI 43-101 Technical Report documenting in-situ reserves of at least 5 million tonnes of 11,000 B.T.U coal (issued); and
- 1,000,000 shares on the extraction and sale of a 10,000 tonne bulk sample with 50,000 tonnes developed.

A permit was granted on September 30, 2008 by the Ministry of Energy, Mines and Petroleum Resources for three coal least permit applications totaling 1,038 hectares.

The Company commenced mineral exploration on the property in November 2008. During the year ended December 31, 2009 the Company incurred \$185,974 in exploration expenditures and the development of a NI 43-101 report on this property. During the nine months ended September 30, 2010 the Company incurred expenditures of \$33,986 on the property.

c) Lang Bay

On June 25, 2003, the Company acquired 32 claims from directors of the Company in exchange for 500,000 shares of the Company at \$0.10 per share. These claims are located approximately 15 kilometers south east of Powell River, British Columbia, covering 800 hectares (approximately 2,000 acres). During the year ended December 31, 2009, the Company incurred \$6,000 in exploration expenditures on this property. During the nine months ended September 30, 2010 the Company incurred expenditures of \$4,000 on the property.

d) Hankin Point and Coal Harbour

On April 11, 2003, the Company purchased 100% of the interest in the Hankin Point and Coal Harbor claims from a director and an officer of the Company and a company controlled by this individual, all of which are situated in the Nanaimo Mining Division, British Columbia. In consideration, the Company issued 500,000 shares at \$0.10 per share, and agreed to a royalty equal to \$0.60 for each metric tonne of limestone produced or removed from the claims. Due to uncertainty of future events, the Company has decided to write-off the property as at December 31, 2009 to a \$Nil balance. No work was completed on this property during the period ended September 30, 2010.

ELECTRA GOLD LTD.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2010 AND 2009

(Expressed in Canadian Dollars, unless otherwise noted)

5. MINERAL PROPERTIES (Continued)

e) Other Properties

On October 1, 2009 the Company acquired the Clone claims from an arm's length party for a fee of \$25,000 cash (paid) and 2,750,000 common shares (issued) valued at \$165,000. Under this agreement, the Company is committed to incur exploration expenditures of \$25,000 by July 1, 2010 and a further \$200,000 by December 1, 2010. The Net Smelter Return agreement states a royalty of 3% is earned but the Company has a right to purchase back 1% of the royalty for a fee of \$1,000,000. No work was completed on this property during the period ended September 30, 2010.

On November 26, 2009, the Company agreed to acquire the Harvey Cove claims from a related party for a fee of \$12,000 (the direct out of pocket expenses) which is situated in an area west of LeMare Lake, BC. During the year ended December 31, 2009, the Company incurred exploration expenditures on the property of \$12,764. The plans for exploration and development of this property for the upcoming 2010 year have not been determined yet and as such the property has been written down to \$Nil. No work was completed on this property during the period ended September 30, 2010.

On March 8, 2010, the Company announced the option to acquire a 100% interest in a gold property called the Apex-Dot Property, located in the area of northwest Boston Bar, British Columbia. The property was acquired from an arm's length party, D.G. Cardinal for cash payments of \$16,000 (paid), 500,000 shares issued in installments and \$300,000 in expenditures made on the property over a five year period.

On April 28, 2010, the Company was issued TSX Venture Exchange acceptance of an option agreement to acquire a 100% interest in a gold property called the Racetrack Property, located in the southeast corner of Ogden Township, approximately 10km south-southwest of Timmins, Ontario. In consideration the Company will pay \$40,000 cash (paid) and issue 400,000 shares (issued) to the vendor. On September 15, 2010 the Company announced a joint venture arrangement with Claim Post Resources which entailed a \$20,000 cash payment and issuance of 200,000 shares upon signing; \$120,000 in work expenditures within nine months of signing; \$50,000 cash payment or issuance of 200,000 shares within 2nd year of signing; \$200,000 cash payment or issuance of 500,000 shares within 3rd year of signing; and \$750,000 cash payment or issuance of 1,500,000 shares within 4th year of signing.

6. LOAN PAYABLE

On April 1, 2004, the Company entered into a loan agreement with its primary customer, Ash Grove Cement Company ("Ash Grove"), who agreed to finance the purchase of equipment in the amount of \$515,659 for the Apple Bay mining operation. The equipment is secured by a note payable bearing interest at 8% per annum, and is repayable from sales to the customer at a rate of \$1.50 per tonne of ore sold. As at September 30, 2010 the Company owed \$Nil (2009 - \$24,065) under this loan facility.

ELECTRA GOLD LTD.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2010 AND 2009

(Expressed in Canadian Dollars, unless otherwise noted)

7. RELATED PARTY TRANSACTIONS AND AMOUNTS OWING

The Company acquired and leased mineral properties from related parties as disclosed in the mineral properties note and issued shares for indebtedness to related parties as disclosed in the share capital note. In addition during the periods ended September 30, 2010 and 2009, the Company carried out a number of transactions with related parties in the normal course of business.

Related Party Transactions in the Normal Course of Business

- a) The Company paid or accrued management fees of \$Nil (September 30, 2009 - \$9,000) to an officer, the Corporate Secretary of the Company.
- b) The Company paid or accrued management fees of \$Nil (September 30, 2009 - \$13,200) to an officer, the CFO of the Company, as consulting fees.
- c) The Company accrued geological fees and expenses of \$24,375 (September 30, 2009 - \$47,600) to a company controlled by the Company's president that were included in exploration costs.
- d) The Company paid or accrued directors fees performed by directors of \$2,000 (September 30, 2009 - \$2,000).
- e) The Company paid or accrued management consulting fees to a company controlled by a director of \$5,000 (September 30, 2009 - \$Nil).
- f) Royalties totaling \$8,421 (September 30, 2009 - \$13,110) were paid or accrued to a company controlled by the President.
- g) The Company paid management fees of \$4,560 (September 30, 2009 - \$4,500) to a consultant, the bookkeeper of the Company.

Transactions with related parties have been valued in these financial statements at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

8. 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 Resources Ltd. (owned by the President of the Company) 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, 2010, an amount of \$346,217 (December 31, 2009 - \$323,909) 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 has not produced in excess of 200,000 metric tonnes in any year and does not expect to produce in excess of 200,000 metric tonnes in 2010 and, therefore, the amount owing under the deferral arrangement has been classified as a non-current liability at September 30, 2010.

ELECTRA GOLD LTD.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2010 AND 2009

(Expressed in Canadian Dollars, unless otherwise noted)

9. ASSET RETIREMENT OBLIGATION

As of December 31, 2009, the Company has recorded an estimate for the future cost of reclaiming the Apple Bay mine in the amount of \$105,618 (2009 - \$94,000). The estimate reflects the present value to reclaim the quarry and mitigation system, involving re-sloping, re-contouring and re-vegetation of the property, on approximately seven hectares of land area. The Company anticipates the cost of reclamation work commencing in 2017 at \$170,000 and has used a credit adjusted risk free rate of 6.0%.

The estimate is subject to measurement uncertainty with respect to costs in the local market for third parties to perform the work, the actual timing of reclamation, the inflation and discount rate used.

10. SHARE CAPITAL

a) Authorized

Unlimited number of common shares without par value

Unlimited number of class A preference shares without par value; none issued

b) Issued and Outstanding Common Shares

Year Ended December 31, 2009

- i) On June 30, 2009, 500,000 shares were issued pursuant to the Suquash property agreement and were recorded at a value of \$30,000.
- ii) On July 17, 2009, 2,600,000 flow through shares were issued for proceeds of \$130,000. Finders' fees of \$11,000 were issued in conjunction with the placement.
- iii) On July 17, 2009, 600,000 units were issued for proceeds of \$30,000. Each unit consisted of one common share and one half purchase warrant exercisable at \$0.08 in the first year and \$0.10 in the second year.
- iv) On August 18, 2009, 3,373,977 shares were issued in exchange for debt in the amount of \$269,918. The common shares had a fair value of \$0.045 per share, resulting in a gain of \$118,089.
- v) On August 18, 2009, 2,000,000 flow through shares were issued for proceeds of \$100,000.
- vi) On October 14, 2009, 2,750,000 shares were issued pursuant to the Canasia Clone property agreement and were recorded at a value of \$165,000.
- vii) On October 23, 2009, 6,000,000 units were issued for proceeds of \$300,000. Each unit consisted of one common share and one half purchase warrant exercisable at \$0.10 for a period of two years. Finders' fees of \$29,500 and 28,500 brokers' warrants were issued in conjunction with this placement. The brokers' warrants are exercisable at \$0.10 for a period of two years, expiring October 23, 2011.

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NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2010 AND 2009

(Expressed in Canadian Dollars, unless otherwise noted)

10. SHARE CAPITAL (Continued)

b) Issued and Outstanding (Continued)

Year Ended December 31, 2009 (Continued)

viii) On November 30, 2009, 1,000,000 shares were issued pursuant to the Suquash property agreement and were recorded at a value of \$45,000.

Year Ended December 31, 2010

- i) On March 5, 2010 the Company received TSX Venture Exchange approval for a private placement of 2,400,000 units issued at a price of \$0.05 per share for total gross proceeds of \$120,000. Each unit consists of one common share and one share purchase warrant enabling the holder to purchase one additional common share at a price of \$0.10 per share for a period of 24 months. A finders' fee of \$12,000 and 240,000 broker warrants exercisable at \$0.10 for a period of 24 months from closing were issued.
- ii) On March 8, 2010, the Company announced the option to acquire a 100% interest in a gold property called the Apex-Dot Property, located in the area of northwest Boston Bar, British Columbia. The property was acquired from an arm's length party, D.G. Cardinal for cash payments of \$160,000, and 500,000 shares issued in installments and \$300,000 in expenditures made on the property over a five year period.
- iii) On July 17, 2010, 5,462,000 shares were issued in exchange for debt in the amount of \$0.05. The common shares had a fair value of \$0.025 per share, resulting in a gain of \$273,100.

c) Stock Options

The Company maintains a stock option plan for directors, officers, employees and consultants and may issue share purchase options up to 10% of the issued share capital of the Company at the market price of the Company's shares on the date of grant. The options can be granted for a maximum term of 5 years and vesting is determined by the directors.

The following table summarizes the Company's stock option activity during the years ended December 31, 2010 and 2009. The options issued vested immediately and have a one or a two year term.

ELECTRA GOLD LTD.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2010 AND 2009

(Expressed in Canadian Dollars, unless otherwise noted)

10. SHARE CAPITAL (Continued)

c) Stock Options

	2010		2009	
	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding, beginning of year	800,000	\$ 0.10	1,000,000	\$ 0.10
Granted	-	-	650,000	0.10
Expired	(150,000)	0.10	(850,000)	0.10
Outstanding, end of year	<u>650,000</u>	<u>\$ 0.10</u>	<u>800,000</u>	<u>\$ 0.10</u>

The following tables summarize the Company's stock options outstanding and exercisable at December 31, 2009 and 2008:

2010		
NUMBER	EXERCISE PRICE	EXPIRY DATE
<u>650,000</u>	\$ 0.10	February 23, 2011
<u>650,000</u>		
2009		
NUMBER	EXERCISE PRICE	EXPIRY DATE
150,000	\$ 0.10	February 13, 2010
<u>650,000</u>	\$ 0.10	February 23, 2011
800,000		

ELECTRA GOLD LTD.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2010 AND 2009

(Expressed in Canadian Dollars, unless otherwise noted)

10. SHARE CAPITAL (Continued)

d) Share Purchase Warrants (Continued)

The following table summarizes the Company's share purchase warrant activity during the years ended December 31, 2010 and 2009.

	2010		2009	
	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding, beginning of year	7,953,500	\$ 0.10	4,625,000	\$ 0.10
Issued at \$0.08 each	-	-	300,000	0.08
Issued at \$0.10 each	2,640,000	0.10	3,028,500	0.10
Expired at \$0.10 each	(2,750,000)	0.10	-	-
Outstanding, end of year	7,843,500	\$ 0.10	7,953,500	\$ 0.10

The following tables summarize the Company's warrants outstanding for the period ended September 30, 2010.

2009		
NUMBER	EXERCISE PRICE	EXPIRY DATE
300,000	\$ 0.08	July 16, 2011
1,875,000	\$ 0.10	November 10, 2010
3,000,000	\$ 0.10	October 22, 2011
2,400,000	\$ 0.10	March 05, 2012
7,575,000		

In addition to the table above, 28,500 broker warrants are outstanding exercisable at \$0.10 for a period of two years, expiring October 22, 2011 and 240,000 broker warrants exercisable at \$0.10 expiring March 05, 2012.

ELECTRA GOLD LTD.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2010 AND 2009

(Expressed in Canadian Dollars, unless otherwise noted)

11. NON-CASH INVESTING AND FINANCING ACTIVITIES

The Company recorded non-cash investing and financing activities as follows:

During the year ended December 31, 2009

- The Company issued 3,332,657 shares in exchange for debt in the amount of \$0.045 per share. A gain of \$118,089 was attributed to this transaction.
- The Company issued 3,250,000 shares for property payments in the amount of \$0.06 per share and 1,000,000 shares for property payments in the amount of \$0.045 per share for a total value of \$240,000.

During the year ended December 31, 2008

- The Company issued 1,714,167 shares in exchange for debt in the amount of \$137,133.

12. SEGMENTED INFORMATION

The Company currently conducts substantially all of its operations in Canada in one business segment, being the mining of industrial mineral properties.

During the period, 100% of revenue was from two customers of which \$142,539 or 58% of the Company's sales was to one customer. These sales are pursuant to a purchase agreement dated April 1, 2004, which is for an initial term of five years and was renewed for an additional 5 years in 2009 by mutual agreement.

13. MANAGEMENT OF CAPITAL

The Company considers its management of capital to include all components of debt and shareholders' equity. Its objectives are to ensure that the Company continues to operate as a going concern, if possible, in order to pursue the operation of its mine property and the development of its mineral properties, to sustain future development and growth as well as to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of changes in the economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares, seek debt financing, or acquire or dispose of assets. The Company, upon approval from its Board of Directors, makes changes to its capital structure as deemed appropriate under the specific circumstances.

There were no changes to the Company's approach to Capital Management during the period ended September 30, 2010. The Company is not subject to any external covenants.

ELECTRA GOLD LTD.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2010 AND 2009

(Expressed in Canadian Dollars, unless otherwise noted)

14. SUBSEQUENT EVENTS

Subsequent to September 30, 2010:

- a) On November 18th, 2010 the Company announced the arrangement of a non brokered private placement of up to 6,000,000 units consisting of both non flow through units and flow through units at \$0.05 per unit for proceeds of up to \$300,000. The terms of the offering are such that each participant will acquire a $\frac{3}{4}$ amount of flow through and $\frac{1}{4}$ non flow through units. Each unit will include one share and one two year non flow through common share purchase warrant entitling the purchaser to purchase an additional common share of the Company for \$0.10 per share in the first year and \$0.12 per share in the second year.
- b) On November 10th, 2010 warrants amounting to 1,875,000 exercisable at \$0.10 per warrant expired.