ELECTRA GOLD LTD.

INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND 2010

(Expressed in Canadian Dollars, unless otherwise noted)

NOTICE TO READER

We have compiled the interim balance sheets of Electra Gold Ltd. as at June 30, 2011 and interim statement of operations, retained earnings and cash flow for the six months then ended from information provided from 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.

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102-, Part 4, Subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by a auditor.

The accompanying unaudited interim financial statements of the Corporation have been prepared by and are responsibility of the Corporation's management. The Corporation's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of the interim financial statements by an entity's auditor.

ELECTRA GOLD LTD.

INTERIM STATEMENTS OF FINANCIAL POSITION

(Unaudited - Prepared by Management)
(Expressed in Canadian Dollars)

		JUNE 30, 2011		DECEMBER 31, 2010 (Note 16)		JANUARY 1, 2010 (Note 16)
ASSETS						
Current						
Cash	**$**	**299,088**	$	218,016	$	231,906
Accounts receivable		**84,286**		56,532		26,285
Marketable securities (Note 4)		**14,000**		43,000		-
Prepaid expenses		**16,534**		6,104		5,989
Inventory		**-**		-		151,000
		413,908		323,652		415,180
Reclamation Deposits (Note 5)		**182,500**		182,500		172,500
Equipment		**9,390**		10,510		31,382
Exploration and Evaluation Assets (Note 6)		**1,073,102**		639,381		685,307
Production Assets (Note 6)		**-**		-		-
	$	**1,678,900**	$	1,156,043	$	1,304,369
LIABILITIES						
Current						
Accounts payable and accrued liabilities	**$**	**307,792**	$	314,614	$	314,684
Deferred revenue		**-**		-		87,329
Due to related parties (Note 7)		**476,226**		337,937		398,445
		784,018		652,551		800,458
Royalties Payable (Note 8)		**361,954**		351,465		323,908
Decommissioning Provision (Note 9)		**112,501**		112,501		105,618
		1,258,473		1,116,517		1,229,984
SHAREHOLDERS' EQUITY						
Share Capital (Note 10)		**16,934,340**		16,105,142		15,569,822
Share Based Payment Reserve (Note 10)		**-**		13,980		635,321
Deficit		**(16,513,912)**		(16,079,596)		(16,130,758)
		420,427		39,526		74,385
	$	**1,678,900**	$	1,156,043	$	1,304,369

Nature of operation, economic dependence and going concern (Note 1)
Commitments (Note 6)
Subsequent events (Note 14)

Approved on behalf of the Board of Directors:

"Johan Shearer" — Director

"Mark Tommasi" — Director

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

ELECTRA GOLD LTD.

INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

For the period ended June 30, 2011, with comparative figures for 2010

(Unaudited - Prepared by Management)

(Expressed in Canadian Dollars)

	Unaudited June 30, Three months ended, 2011	2010	Six months ended, 2011	2010
SALES	**$ 419,160**	$ 134,855	**$ 419,160**	$ 381,051
Cost of Sales				
Cost of production	**367,199**	249,509	**472,730**	566,223
Royalties	**41,958**	15,453	**41,958**	48,630
	409,157	264,962	**514,688**	614,853
Gross Profit	**10,003**	(130,107)	**(95,528)**	(233,802)
Expenses				
Amortization	**560**	209	**1,119**	419
Consulting fees	**74,850**	19,750	**147,463**	64,445
Directors' fees	**5,500**	3,000	**5,000**	5,000
Filing fees	**5,811**	7,233	**22,353**	16,162
Management fees	**4,500**	4,600	**9,000**	7,600
Office and general	**13,022**	8,316	**24,771**	13,670
Professional fees	**37,159**	29,573	**41,112**	42,073
	141,402	**72,681**	**250,817**	**149,368**
Other Expense				
Write down of mineral properties	**26,670**	-	**102,286**	-
Write down of contributed surplus	**-**	-	**(649,301)**	-
	26,670	**-**	**(547,016)**	**-**
Other Income				
Interest Income	**283**	102	**334**	104
Net and Comprehensive Loss for the Period	**$ (157,785)**	$ (202,686)	**$ 201,004**	$ (383,066)
Basic and Diluted Loss per Share	**$ (0.00)**	$ (0.00)	**$ 0.00**	$ (0.01)
Weighted Average Number of Shares Outstanding	**60,968,123**	60,328,321	**60,968,123**	60,329,321

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

ELECTRA GOLD LTD.

INTERIM STATEMENTS OF CHANGES IN EQUITY

(Unaudited - Prepared by Management)
(Expressed in Canadian Dollars)

	SHARE CAPITAL		CONTRIBUTED		
	SHARES	AMOUNT	SURPLUS	DEFICIT	TOTAL
Balance, December 31, 2009	**58,776,940**	**$ 15,569,822**	**$ 635,321**	**$ (16,130,758)**	**$ 74,385**
Shares issued for cash:					
Private placement at $0.05 per unit	2,400,000	120,000	-	-	120,000
Finder's fees	-	(12,000)	-	(383,067)	(395,067)
Balance, June 30, 2010	**61,176,940**	**$ 15,677,822**	**$ 635,321**	**$ (16,513,825)**	**$ (200,682)**
Fair value of brokers warrants	-	(1,245)	1,245		
Private placement at $0.05 per unit	5,880,000	294,000	-		294,000
Finder's fees	-	(27,500)	-	-	(27,500)
Fair value of brokers warrants	-	(12,735)	12,735		
Shares issued for property	1,000,000	32,000	-	-	32,000
Shares issued for debt at $0.025	5,712,000	142,800	-	-	142,800
Net loss for the year	-	-	-	(201,092)	(201,092)
Balance, December 31, 2010	**73,768,940**	**$ 16,105,142**	**$ 649,301**	**$ (16,714,917)**	**$ 39,526**
Shares issued for property	4,600,000	275,000	-	-	275,000
Shares issued for cash:					-
Private placement at $0.05 per unit	1,900,000	95,000	-	-	95,000
Private placement at $0.06 per unit	8,333,333	500,000	-	-	500,000
Finder's fees	-	(40,802)	-	-	(40,802)
Net gain (loss) for the period	-	-	(649,301)	201,004	(448,297)
Balance, June 30, 2011	**88,602,273**	**$ 16,934,340**	**$ -**	**$ (16,513,912)**	**$ 420,427**

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

ELECTRA GOLD LTD.

INTERIM STATEMENTS OF CASH FLOWS

For the period ended June 30, 2011, with comparative figures for 2010
(Unaudited - Prepared by Management)
(Expressed in Canadian Dollars)

	Unaudited June 30,			
	Three months ended,		Six months ended,	
	2011	**2010**	**2011**	**2010**
CASH FLOWS PROVIDED BY (USED IN):				
Operating activities				
Net loss for the period	**$ (157,602)**	$ (202,686)	**$ 201,187**	$ (383,066)
Adjustments to reconcile net loss to net cash used in operating activities				
Amortization	**560**	209	**1,119**	419
Accrued long-term royalties	**10,489**	3,863	**10,489**	11,783
Marketable securities	**14,000**	-	**29,000**	-
	(132,553)	(198,614)	**241,796**	(370,864)
Changes in operating assets and liabilities				
Decrease (Increase) in accounts receivable	**(26,683)**	140,093	**(27,755)**	(10,438)
Decrease (Increase) in prepaid expenses	**(1,124)**	198	**(10,430)**	(8,477)
Decrease (Increase) in inventory	**-**	100,000	**-**	100,000
Decrease (Increase) in accounts payable and accrued liabilities	**14,366**	98,786	**131,469**	291,861
Decrease (Increase) in deferred revenue	**-**	(87,329)	**-**	(87,329)
	(145,994)	53,134	**335,079**	(85,247)
Investing Activities				
Mineral property acquisition and exploration expenditures	**(139,970)**	(143,896)	**(433,904)**	(230,574)
Acquisition of equipment	**-**	-	**-**	18,000
	(139,970)	(143,896)	**(433,904)**	(212,574)
Financing Activities				
Write down of contributed surplus	**-**	-	**(649,301)**	-
Proceeds from share issuances	**-**	-	**554,198**	
Share issuances for property	**45,000**	-	**275,000**	108,000
	45,000	-	**179,897**	108,000
Net (Decrease) Increase In Cash	**(240,964)**	(90,762)	**81,072**	(189,821)
Cash, Beginning of Period	**712,552**	**132,848**	**390,516**	**231,906**
Cash, End of Period	**$ 471,588**	**$ 42,085**	**$ 471,588**	**$ 42,085**

Additional Cash Flow Information (Note 12)

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

ELECTRA GOLD LTD.

NOTES TO INTERIM FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

(Unaudited - Prepared by Management)
(Expressed in Canadian Dollars)

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. 90% of the Company's entire mineral production in 2010 was sold to one customer (2009 – 61%) (the "Customer"). In addition, 5% of cost of sales (2009 - 32%) was performed by a private company owned by a shareholder of the Company. Another private company owned by a shareholder of the Company performed 26% of the cost of sales (2009 - 16%). During the quarter ended June 30th, 2011 the Company shipped 26,223.73 tonnes in two barge loads to one customer. The mineral claims are located on crown land within the traditional territory of Quatsino 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 $16,513,912 and has a working capital deficit of $370,110 at June 30, 2011. 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.

During fiscal 2010 a former contractor of the Company issued a Notice of Civil Claim in the BC Supreme Court. The Company has retained counsel to defend against the claim and has filed a Counterclaim for damages in respect of the contractor's breach of contract and negligence in performance of contract work. The Company is of the opinion that a significant portion of the contractor's claim is without merit as not having been made in accordance with the contract which the contractor elected to abandon. The Company proposed a settlement of $84,000 with respect to the work performed, this amount was accrued at December 31, 2010. An adjustment of $21,000 was recorded as necessary to reflect the final settlement which was settled on May 5, 2011.

2. BASIS OF PREPARATION

a) Statement of compliance

These financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS"). These are the first IFRS interim financial statements. These financial statements do not include all of the information required for full annual financial statements.

The preparation of these condensed interim financial statements resulted in changes to the accounting policies as compared with the most recent annual financial changes prepared under Canadian generally accepted accounting principles ("GAAP"). The accounting policies set out below have been applied consistently to all years presented in these financial statements. They also have been applied in preparing an opening IFRS statement of financial position at January 1, 2010, as required by IFRS 1. The disclosures concerning the transition from Canadian GAAP to IFRS are included in Note 16.

The accounting policies have been selected to be consistent with IFRS as is expected to be effective on December 31, 2011, the first annual IFRS reporting date. The standards and interpretations within IFRS are subject to change and accordingly, the accounting policies for the annual period that are relevant to the financial statements will be finalized only when the first annual IFRS financial statements are prepared for the year ending December 31, 2011.

a) Basis of Measurement

The condensed interim financial statements have been prepared on a historical cost basis, as modified by the revaluation of available for sale financial assets.

The preparation of financial statements in compliance with IFRS requires management to make certain accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below are expected to be adopted for the year ending December 31, 2011 and have been applied consistently to all periods presented in these interim financial statements and in preparing the opening IFRS balance sheet at January 1, 2010 for the purposes of the transition to IFRS, unless otherwise indicated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign Currency

Foreign currency accounts are translated into Canadian dollars as follows:

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into Canadian dollars by the use of the exchange rate in effect at the yearend date and the related translation differences are recognized in net income. Exchange gains and losses arising on the retranslation of monetary available for sale financial assets are treated as a separate component of the change in fair value and recognized in net income. Exchange gains and losses on non monetary available for sale financial assets form part of the overall gain or loss recognized in respect of that financial instrument.

Non monetary assets and liabilities are measured at historical cost are translated into Canadian dollars by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated. Non monetary assets and liabilities that are measured at fair value or a revalued amount are translated into Canadian dollars by using the exchange rate in effect at the date the value is determined and the related translation differences are recognized in net income or other comprehensive loss consistent with where the gain or loss on the underlying non monetary asset or liability has been recognized.

Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value. For cash flow statement presentation purposes, cash and cash equivalents includes bank overdrafts.

Mineral Exploration and Evaluation Expenditures

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures, (“E&E”) are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they occur.

The Company may occasionally enter into farm out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the transferee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain on disposal.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Mineral Exploration and Evaluation Expenditures (continued)

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of the estimated recoveries are written off to the statement of comprehensive loss/income.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying value of an asset may exceed its recoverable amount.

Reclamation Deposits

Cash which is subject to contractual restrictions on use is classified separately as reclamation deposits. Reclamation deposits are classified as loans and receivable.

Property, Plant and Equipment - Recognition and Measurement

On initial recognition, property, plant and equipment are valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Property, plant and equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses, with the exception of land which is not depreciated.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Property, Plant and Equipment - Gains and Losses

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized net within other income in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL INSTRUMENTS

Financial Assets

Financial assets are classified as into one of the following categories based on the purpose for which the asset was acquired. All transactions related to the financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

Financial Liabilities

Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred, and comprise of trade payables and accrued liabilities. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the insurance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of the period which are unpaid. Trade payable amounts are unsecured and are usually paid within 45 days of recognition.

Provisions

The Company is subject to various government laws and regulations relating to the environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligation is incurred. The nature of the rehabilitation activities includes restoration, reclamation and re-vegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL INSTRUMENTS (continued)

Income Taxes

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in net income except that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current year income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect to previous years. Current incomes taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Share Capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company’s common shares, preferred shares, share warrants, and flow through shares are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL INSTRUMENTS (continued)

Flow Through Shares

The Company will from time to time, issue flow through shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow through common shares into i) a flow through premium, equal to the estimated premium, if any investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenses being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow through shares are restricted to be used only for Canadian resource property exploration expenditures within a two year period. The portion of the proceeds received but not yet expended at the end of the Company's period is disclosed separately as flow through share proceeds in Note 16.

The Company may also be subject to a Park XII.6 tax on flow through proceeds renounced under the Look back Rule in accordance with Government of Canada flow through regulations. When applicable, this tax is accrued as a financial expense until paid.

Earnings & Loss Per Share

Basic loss per share is calculated by dividing net income (loss) by the weighted average number of shares issued and fully paid. The calculations of earnings per share on a diluted basis are calculated using the treasury stock method which considers the potential exercise of outstanding financial instruments with equity purchase or conversion features. Basic and diluted (loss) per share are equal as the assumed conversion of equity instruments would be anti-dilutive.

Financial Instruments

The Company has designated its cash and marketable securities as financial instruments at fair value through profit or loss.

Credit Risk

The Company is exposed to credit risk with respect to accounts receivable if a customer fails to meet its contractual obligations. The Company undertakes credit evaluations on customers as necessary and has monitoring processes intended to mitigate credit risks and maintain appropriate provisions for potential credit losses. The Company has no significant allowance for doubtful accounts in 2010 and 2009. A significant proportion of the Company's accounts receivable balance is with customers in the cement industry and is subject to normal industry credit risks.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL INSTRUMENTS (continued)

Credit risk also arises from cash and reclamation deposits held with financial institutions. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The Company's cash is held with the Bank of Montreal.

Liquidity Risk

Liquidity risk is the risk that the Company may encounter difficulties in meeting obligations associated with financial liabilities. The Company's growth strategy requires significant resources which are derived from cash flows provided by operations, additional debt, and the issuance of equity or a combination thereof. As at June 30, 2011 the Company was holding cash of $299,088. The Company plans to obtain increased net cash flow from operations and share capital financings. There can be no guarantee that management's efforts to raise additional funds will be successful.

Interest Rate Risk

The Company is not exposed to significant interest rate risks arising from financial instruments.

Commodity Price Risk

The Company is exposed to price risk with respect to commodity prices of industrial minerals. The Company monitors the price of commodities, as well as major input prices, and considers the risk exposure to fluctuating prices.

Currency Price Risk

The Company's functional currency is the Canadian dollar. There is no significant foreign exchange risk to the Company. The Company does not engage in any form of derivative or hedging instruments.

Fair value hierarchy

Financial instruments recorded at fair value on the Balance Sheet are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

i. Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
ii. Level 2 – Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly; and
iii. Level 3 – Input for assets and liabilities that is not based on observable market data.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

The follow table outlines the Company's financial assets and liabilities measured at fair value by level with the fair value hierarchy described above.

As at June 30, 2011 and December 31, 2010 the Company's financial instruments measured at fair value are as follows:

2011

Assets	Level 1	Level 2	Level 3	Total
Cash	$ 299,088	$ -	$ -	$ 299,088
Marketable securities	$ 14,000	$ -	$ -	$ 14,000

2010

Assets	Level 1	Level 2	Level 3	Total
Cash	$ 218,016	$ -	$ -	$ 218,016
Marketable securities	$ 43,000	$ -	$ -	$ 43,000

Basic and Diluted Loss per Share

Basic loss per share is calculated by dividing net income (loss) by the weighted average number of shares issued and fully paid. The calculations of earnings per share on a diluted basis are calculated using the treasury stock method which considers the potential exercise of outstanding financial instruments with equity purchase or conversion features. Basic and diluted (loss) per share are equal as the assumed conversion of equity instruments would be anti-dilutive.

Valuation of Equity Units Issued in Private Placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in the private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, was allocated to the attached warrants. Any fair value attributed to the warrants is recorded as warrants.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New accounting standards and interpretations not yet adopted

Amendments to IFRS 7, Financial Instruments: Disclosures are effective for annual periods beginning on or after July 1, 2011. These amendments increase the disclosure with regards to the transfer of financial assets, especially if there is a disproportionate amount of transfer transactions that take place around the end of a reporting period.

New standard IFRS 9, Financial Instruments is effective for annual periods beginning on or after January 1, 2013. This new standard is a partial replacement of IAS 39, Financial Instruments: Recognition and Measurement.

The Company is currently assessing the impact that these revised or new standards will have on the financial statements.

4. MARKETABLE SECURITIES

During the year ended December 31, 2010 the Company received 200,000 common shares of Claim Post Resources, as part of the compensation with respect to the RaceTrack Property option agreement. This investment has no fixed maturity date or coupon rate. The fair value of the available for sale investment at June 30, 2011 was the quoted market value of the Claim Post Resources shares being $14,000.

5. 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 0.6% per annum and mature between June and October 2011.

ELECTRA GOLD LTD.

NOTES TO INTERIM FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

(Unaudited - Prepared by Management)
(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS

		2011					
		BALANCE BEGINNING OF YEAR	ACQUISITION AND RETIREMENT COSTS	EXPLORATION EXPENDITURES	OPTION/ SHARE PAYMENT	WRITE-OFF	BALANCE END OF PERIOD
Production Property							
	Apple Bay	$ -	$ -	$ 73,286	$ -	$ (73,286)	$ -
Exloration Properties							
	Apex Dot	61,987	6,000	87,830	-		155,817
	Gold Ledge	-	94,000	14,475	-	-	108,475
	Harvey Cove	-	-	8,700	-	-	8,700
	Iron Range	-	145,000	1,275	-	-	146,275
	Lang Bay	119,607	3,000	-	-	-	122,607
	Suquash	420,786	45,000	28,442	-	-	494,228
	Racetrack	37,000	-	-	-	-	37,000
		$ 639,380	$ 293,000	$ 214,008	$ -	$ (73,286)	$1,073,102

		2010					
		BALANCE BEGINNING OF YEAR	ACQUISITION AND RETIREMENT COSTS	EXPLORATION EXPENDITURES	OPTION/ SHARE PAYMENT	WRITE-OFF	BALANCE END OF PERIOD
Production Property							
	Apple Bay	$ -	$ -	$ 190,264	$ -	$ (190,264)	$ -
Exloration Properties							
	Apex Dot	-	27,000	34,988	-		61,988
	Clone	190,000	-	-	-	(190,000)	-
	Lang Bay	113,607	-	6,000	-	-	119,607
	Suquash	381,700	-	39,086	-	-	420,786
	Racetrack	-	100,000	-	(63,000)	-	37,000
		$ 685,307	$ 127,000	$ 270,338	$ (63,000)	$ (380,264)	$ 639,381

6. EXPLORATION AND EVALUATION ASSETS (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 tones 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 lease 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 $185,975 in exploration expenditures and the development of a NI 43-101 report on this property. Further work has taken place in the amount of $39,086 during the year ended December 31, 2010 and $28,442 during the quarter ended June 30, 2011.

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 years ended December 31, 2010 and 2009, the Company incurred $6,000 in exploration expenditures each year on this property. During the period ended June 30, 2011 the Company incurred $3,000.

d) Hankin Point

On April 11, 2003, the Company purchased 100% of the interest in the Hankin Point 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 had decided to write off the property as of December 31, 2009 to a $Nil balance.

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS (Continued)

e) RaceTrack Property

On March 10, 2010, the Company announced the acquisition of a gold property in the West Timmins area of Ontario. The property consists of 103 claim units and 12 patented claims located in the southeast corner of Ogden Township approximately 10km south south-west from downtown Timmins. The property was acquired from two vendors and to earn 100% interest in the mineral rights of the property the Company must satisfy the following for each of the two vendors:

- Issue 800,000 shares (issued);
- Pay $80,000 (paid);
- Incur a total of $100,000 in expenditures on the property by February 23, 2012; and
- Incur an additional $100,000 in expenditures on the property by February 23, 2013.

The Company may elect to purchase from one of the vendors at any time 2/3 (2%) of the 3% NSR Royalty, upon the payment to the vendor of one million dollars ($1,000,000) per 1%, and from the second vendor 1/2 (1%) of the 2% NSR Royalty, upon the payment to the vendor of one million dollars ($1,000,000) per 1%.

On September 15, 2010, the Company announced it had signed a letter of intent with Claim Post Resources for the continued development of the RaceTrack gold property in Timmins, Ontario. The terms of the option agreement are below:

Completion Date	**Claim Post Ownership %**	**Electra Ownership %**	**Cash/Share Issuance and Work committed**
Upon signing	Nil	100	$20,000 cash pmt and issuance of 200,000 shares
Nine months after signing	Nil	100	$120,000 work expenditures
Two years after signing	50	50	$50,000 cash payment or issuance of 200,000 shares
Three years after signing	50	50	$200,000 cash payment or issuance of 500,000 shares
Four years after signing	100	Nil	$750,000 cash payment or issuance of 1,500,000 shares

f) Apex Dot Property

On February 1, 2010, the Company entered into an agreement to purchase a 100% interest for the Apex Dot claim group which are five mineral claims located 25km northwest of the community of Boston Bar in southwestern British Columbia. The claim group covers 1,887 hectares and is a gold silver property. The terms of the option agreement are as set out below:

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS (Continued)

f) Apex Dot Property (continued)

Completion Date	**Shares**	**Cash payments**	**Work Expenditures**
Upon signing	100,000 (issued)	$15,000 (paid)	$30,000 (spent)
February 1, 2011	100,000 (issued)	20,000 (paid)	-
February 1, 2012	100,000	25,000	130,000
February 1, 2013	100,000	40,000	-
February 1, 2014	100,000	60,000	140,000
TOTAL	**500,000**	**$160,000**	**$300,000**

Mr. Cardinal retains a 2% cent net smelter royalty of which 1% can be bought back by the Company paying $1,000,000. During the quarter ended June 30, 2011 the Company spent $87,830 on exploration and completed Phase 1 of the diamond drilling program which consisted of 5 exploratory holes.

g) Iron Range

On January 19, 2011 the Company was issued TSX Venture Exchange acceptance of an agreement whereby the Company acquired nine claims totaling approximately 4,500 hectares of ground near Creston, B.C. The Company issued 2,000,000 shares for the property and paid $5,000 in cash for the three blocks of ground. During the quarter ended June 30, 2011 $1,275 was spent on the property exploration.

h) Harvey Cove

The Harvey Cove exploration project is a high alumina deposit located on Northern Vancouver Island west of LeMare Lake. Harvey Cove is located within the traditional territory of the Quatsino First Nation and is 100% owned by the Company. During the quarter ended June 30, 2011 $8,700 was spent on the property exploration.

i) Gold Ledge

On January 19, 2011 the Company was issued TSX Venture Exchange acceptance of an agreement whereby the Company acquired ten claims totalling approximately 5,152 hectares of ground near Creston, B.C. The Company issued 1,500,000 shares for the property and paid $4,000 in cash for the three blocks of ground. During the quarter ended June 30, 2011 $14,475 was spent on the property exploration.

j) Other Properties

On October 1, 2009 the Company acquired the Canasia 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 was 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. During the year ended December 31, 2010 the terms of the agreement were not met and as such the property has been written off to $Nil.

6. PRODUCTION ASSETS

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 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 light of a recent valuation of the quarry completed in January 2010 the Company decided to write-down the asset in the amount of $73,286 on June 30, 2011 due to the negligible value and drain on cash flow.

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 quarters ended June 30, 2011 and 2010, the Company carried out a number of transactions with related parties in the normal course of business.

7. RELATED PARTY TRANSACTIONS AND AMOUNTS OWING (Continued)

Related Party Transactions in the Normal Course of Business

a) The Company paid or accrued consulting fees of $4,500 (June 30, 2010 - $Nil) to a director, Mark Tommasi of the Company for managerial services.
b) The Company paid or accrued consulting fees of $4,500 (June 30, 2010 - $Nil) to a director of the Company, Ron Savelieff for managerial services.
c) The Company paid/accrued consulting fees of $14,075 (June 30, 2010 - $17,850) to Steveston Finance Inc., a company of the former CFO and Corporate Secretary of the Company, Marcy Kiesman.
d) The Company accrued geological fees and expenses of $29,090 (June 30, 2010 - $17,850) to Homegold Resources Ltd., a company controlled by the Company's president, Jo Shearer that were included in exploration costs.
e) The Company paid or accrued directors' fees performed by directors of $5,000 (June 30, 2010 - $3,000).
f) Royalties totaling $8,392 (June 30, 2010 - $3,091) were paid/accrued to Homegold Resources Ltd., a company controlled by the President, Jo Shearer.
g) Royalties totaling $12,587 (June 30, 2010 - $4,636) were paid or accrued to the son of a director, Jackie Howich.

Due to Related Parties

As at June 30, 2011, amounts due to directors, officers and companies with a common director or officer for royalties, fees and expenses aggregated $361,574 (June 30, 2010 - $480,6910). Amounts due to related parties are unsecured and non-interest bearing with no fixed terms of repayment accordingly fair value is not readily determinable.

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 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 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 June 30, 2011, an amount of $361,954 (December 31, 2010 - $351,465) is owed under this deferral arrangement. This has not changed from December 31, 2010 since no shipments have been made. 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 2011 and, therefore, the amount owing under the deferral arrangement has been classified as a non-current liability at December 31, 2010 and June 30, 2011.

9. DECOMMISSIONING PROVISION

As of December 31, 2010, the Company has recorded an estimate for the future cost of reclaiming the Apple Bay mine in the amount of $112,501 (2009 - $105,618). The Company recorded $6,883 (2009 - $34,107) of accretion during the 2010 year. 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. As of June 30, 2011 no further asset retirement obligation was recorded.

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 – 88,602,273

Period Ended June 30, 2011

a. On January 19, 2011, the Company was issued TSX Venture Exchange acceptance of an agreement whereby the Company acquired nine claims totaling approximately 4,500 hectares of ground near Creston, British Columbia. The Company paid $5,000 in cash and issued 2,000,000 shares for the property.

b. On January 19, 2011, the Company was issued TSX Venture Exchange acceptance of an agreement whereby the Company acquired ten claims totaling approximately 5,152 hectares of ground near Creston, British Columbia. The Company paid $4,000 in cash and issued 1,500,000 shares for the property.

c. On January 21, 2011, the Company was issued TSX Venture Exchange acceptance for a non brokered private placement which was announced on December 17, 2010. The placement consisted of 1,900,000 units issued at a price of $0.05 per share for total gross proceeds of $95,000. 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.

d. On January 31, 2011, the Company issued 100,000 shares pursuant to the Apex Dot property agreement valued at $6,000.

(Expressed in Canadian Dollars)

10. SHARE CAPITAL (continued)

Period Ended June 30, 2011 (continued)

e. On March 2, 2011, the Company was issued TSX Venture Exchange acceptance for a non brokered private placement which was announced on February 14, 2011. The placement consisted of 8,333,333 units issued at a price of $0.06 per share for total gross proceeds of $500,000. 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. Finder's fees in the transaction amounted to $23,750 cash and 791,666 warrants exercisable for a period of 24 months at $0.10.

f. On May 2, 2011, the Company issued 1,000,000 valued at $45,000 as per the Suquash Coal property agreement as a final payout for the property.

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.

There were no stock options outstanding and exercisable as at June 30, 2011.

d) Share Purchase Warrants

The following table summarizes the Company's share purchase warrant activity during the three months ended June 30, 2011.

	2011	
	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding, beginning of period	**12,398,500**	**$ 0.10**
Issued at $0.10 each	**9,124,999**	**0.10**
Expired	**(240,000)**	**0.10**
Outstanding, end of period	**21,283,499**	**$ 0.10**

(Expressed in Canadian Dollars)

10. SHARE CAPITAL (Continued)

The following tables summarize the Company's warrants outstanding for the six months ended June 30th, 2011.

2011		
NUMBER	EXERCISE PRICE	EXPIRY DATE
300,000	**$ 0.10**	**July 16, 2011**
3,028,500	**$ 0.10**	**October 22, 2011**
2,400,000	**$ 0.10**	**March 5, 2012**
550,000	**$ 0.10**	**December 14, 2011**
5,880,000	**$ 0.10/.12**	**December 14, 2012**
9,124,999	**$ 0.10**	**February 28, 2013**
21,283,499		

11. NON-CASH INVESTING AND FINANCING ACTIVITIES

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

During the quarter ended June 30, 2011

- The Company issued 1,000,000 shares at $0.045 per share for a total value of $45,000 to acquire coal leases covering the Suquash coal mine near Fort Rupert, British Columbia.
- The Company issued 2,000,000 shares at $0.07 per share for a total value of $140,000 to acquire nine claims totaling approximately 4,500 hectares of ground near Creston, British Columbia.
- The Company issued 1,500,000 shares at $0.06 per share for a total value of $90,000 to acquire ten claims totaling approximately 5,152 hectares of ground near Creston, British Columbia.
- The Company issued 100,000 shares at $0.06 per share for a total value of $6,000 as part of the Apex Dot property option agreement concerning five mineral claims located 25km northwest of the community of Boston Bar in southwestern British Columbia.
- The Company issued 791,667 warrants with a fair value of $47,500 as share issue costs.

During the year ended December 31, 2010

- The Company issued 5,712,000 shares in exchange for debt in the amount of $0.025 per share. A gain of $142,800 was attributed to this transaction.
- The Company issued 1,000,000 shares for property payments in the amount of 800,000 shares at $0.025 per share and 200,000 shares at $0.06 per share for a total value of $32,000.

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 quarter no revenue was earned. The 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 quarter ended June 30, 2011. The Company is not subject to any external covenants.

14. SUBSEQUENT EVENTS

Subsequent to June 30, 2011:

- The Company announced on June 30th, 2011 the issuance of 4,000,000 options at an exercise price of $0.10 exercisable for a period of two years.
- The Company announced on July 11, 2011 the completion of five drill holes on the DOT Apex Property near Boston Bar, BC. Full details can be viewed on www.sedar.com.
- 300,000 warrants expired on July 16, 2011 with an exercise price of $0.10.
- A large barge of chalky geyserites was shipped on August 2nd, 2011 to Ash Grove.

15. International Financial Reporting Standards ("IFRS") First Time Adoption

The Company's financial statements for the year ending December 31, 2011 are the first annual financial statements that will be prepared in accordance with IFRS. IFRS 1 First Time Adoption of International Reporting Standards requires that comparative financial information be provided. As a result, the first date at which the Company has applied IFRS was January 1, 2010 (the "Transition Date"). IFRS 1 requires first time adopters to retrospectively apply all effective IFRS standards as of the reporting date, which for the Company will be December 31, 2011. However, it also provides certain optional exemptions and certain mandatory exemptions for first time IFRS adoption. Prior to transition to IFRS, the Company prepared its financial statements in accordance with pre-changeover Canadian Generally Accepted Accounting Principles.

The Company has reviewed the changes required under IFRS and determined that there are no material adjustments required to prior period financial statements. The reconciliations follow in Note 16.

Changes in Existing Decommissioning, Restoration and Similar Liabilities

The Company has elected to apply the exemption from full retrospective application of decommissioning provisions allowed under IFRS 1. As a result, the Company has re-measured the provisions at January 1, 2010 under IAS 37 Provisions, Contingent Liabilities and Contingent Assets and estimated the amount to be included in the cost of the related asset by discounting the liability to the date at which the liability first arose.

(Expressed in Canadian Dollars)

16. RECONCILIATIONS FROM CANADIAN GAAP TO IFRS

The January 1, 2010 Canadian GAAP statement of financial position has been reconciled to IFRS as follows:

	January 1, 2010		
	Canadian GAAP	Effect of transition to IFRS	IFRS
ASSETS			
Current			
Cash	**$ 231,906**	$ -	$ 231,906
Accounts receivable	**26,285**	-	26,285
Prepaid expenses	**5,989**	-	5,989
Inventory	**151,000**	-	151,000
	415,180	**-**	415,180
Reclamation Deposits	**172,500**	-	172,500
Equipment	**31,382**	-	31,382
Mineral Properties	**685,307**	-	685,307
	$ 1,304,369	$ -	$ 1,304,369
LIABILITIES			
Current			
Accounts payable and accrued liabilities	**$ 314,684**	$ -	$ 314,684
Deferred revenue	**87,329**	-	87,329
Due to related parties	**398,445**	-	398,445
	800,458	-	800,458
Royalities Payable	**323,908**	-	323,908
Asset Retirement Obligation	**105,618**	-	105,618
	1,229,984	-	1,229,984
SHAREHOLDERS' EQUITY			
Share Capital	**15,569,822**	-	15,569,822
Contributed Surplus	**635,321**	(635,321)	-
Deficit	**(16,130,758)**	635,321	(15,495,437)
	74,385	-	74,385
	1,304,369	$ -	$ 1,304,369

(Expressed in Canadian Dollars)

16. RECONCILIATIONS FROM CANADIAN GAAP TO IFRS

The June 30, 2010 Canadian GAAP statement of financial position has been reconciled to IFRS as follows:

	June 30, 2010		
	Canadian GAAP	**Effect of transition to IFRS**	**IFRS**
ASSETS			
Current			
Cash	**$ 42,085**	$ -	$ 42,085
Accounts receivable	**36,722**	-	36,722
Prepaid expenses	**14,466**	-	14,466
Inventory	**51,000**	-	51,000
	144,273	**-**	144,273
Reclamation Deposits	**182,500**	-	182,500
Equipment	**12,963**	-	12,963
Mineral Properties	**905,881**	-	905,881
	$ 1,245,617	$ -	$ 1,245,617
LIABILITIES			
Current			
Accounts payable and accrued liabilities	**$ 524,380**	$ -	$ 524,380
Deferred revenue	**-**	-	0
Due to related parties	**480,610**	-	480,610
	1,004,990	-	1,004,990
Royalities Payable	**335,691**	-	335,691
Asset Retirement Obligation	**105,618**	-	105,618
	1,446,299	-	1,446,299
SHAREHOLDERS' EQUITY			
Share Capital	**15,677,822**	-	15,677,822
Contributed Surplus	**635,321**	(635,321)	-
Deficit	**(16,513,825)**	635,321	(15,878,504)
	(200,682)	-	(200,682)
	1,245,617	$ -	$ 1,245,617

(Expressed in Canadian Dollars)

16. RECONCILIATIONS FROM CANADIAN GAAP TO IFRS

The December 31, 2010 Canadian GAAP statement of financial position has been reconciled to IFRS as follows:

	December 31, 2010		
	Canadian GAAP	Effect of transition to IFRS	IFRS
ASSETS			
Current			
Cash	**$ 218,016**	$ -	$ 218,016
Accounts receivable	**56,532**	-	56,532
Marketable securities	**43,000**	-	43,000
Prepaid expenses	**6,104**	-	6,104
	323,652	**-**	323,652
Reclamation Deposits	**182,500**	-	182,500
Equipment	**10,510**	-	10,510
Mineral Properties	**639,381**	-	639,381
	$ 1,156,043	$ -	$ 1,156,043
LIABILITIES			
Current			
Accounts payable and accrued liabilities	**$ 314,614**	$ -	$ 314,614
Deferred revenue	**-**	-	-
Due to related parties	**337,937**	-	337,937
	652,551	-	652,551
Royalities Payable	**351,465**	-	351,465
Asset Retirement Obligation	**112,501**	-	112,501
	1,116,517	-	1,116,517
SHAREHOLDERS' EQUITY			
Share Capital	**16,105,142**	-	16,105,142
Contributed Surplus	**649,301**	(635,321)	13,980
Deficit	**(16,714,917)**	635,321	(16,079,596)
	39,526	-	39,526
	$ 1,156,043	$ -	$ 1,156,043

(Expressed in Canadian Dollars)

16. RECONCILIATIONS FROM CANADIAN GAAP TO IFRS

The Canadian GAAP statement of income and comprehensive income for the six month period ended June 30, 2010 has been reconciled to IFRS as follows:

	Unaudited June 30, 2010					
	Three months ended,			Six months ended,		
	Canadian GAAP	Effect of transition to IFRS	IFRS	Canadian GAAP	Effect of transition to IFRS	IFRS
SALES	**$ 134,855**	$ -	$ 134,855	**$ 381,051**	$ -	$ 381,051
Cost of Sales						
Cost of production	**249,509**	-	249,509	**566,223**	-	566,223
Royalties	**15,453**	-	15,453	**48,630**	-	48,630
	264,962	**-**	264,962	**614,853**	**-**	614,853
Gross Profit	**(130,107)**	**-**	(130,107)	**(233,802)**	**-**	(233,802)
Expenses						
Amortization	**209**	-	209	**419**	-	419
Consulting fees	**19,750**	-	19,750	**64,445**	-	64,445
Directors' fees	**3,000**	-	3,000	**5,000**	-	5,000
Filing fees	**7,233**	-	7,233	**16,162**	-	16,162
Management fees	**4,600**	-	4,600	**7,600**	-	7,600
Office and general	**8,316**	-	8,316	**13,670**	-	13,670
Professional fees	**29,573**	-	29,573	**42,073**	-	42,073
Stock based compensation	**-**	-		**-**	-	
	72,681	**-**	**72,681**	**149,369**	**-**	**149,369**
Other Income						
Interest Income	**102**	-	102	**104**	-	104
Net and Comprehensive Loss for the Period	**$ (202,686)**	$ -	$ (202,686)	**$ (383,067)**	$ -	$ (383,067)
Basic and Diluted Loss per Share	**$ (0.00)**	$ -	$ (0.00)	**$ (0.01)**	$ -	$ (0.01)
Weighted Average Number of Shares Outstanding	**60,328,321**	-	60,328,321	**60,329,321**	-	60,329,321

(Expressed in Canadian Dollars)

16. RECONCILIATIONS FROM CANADIAN GAAP TO IFRS

The Canadian GAAP statement of income and comprehensive income for the twelve month period ended December 31, 2010 has been reconciled to IFRS as follows:

	December 31, 2010		
	Canadian GAAP	Effect of transition to IFRS	IFRS
SALES	**$ 1,015,428**	$ -	$ 1,015,428
Cost of Sales			
Cost of production	**929,873**	-	929,873
Royalties	**110,225**	-	110,225
Depletion and accretion	**6,883**	-	6,883
	1,046,981	**-**	1,046,981
Gross Profit	**(31,553)**	**-**	(31,553)
Expenses			
Amortization	**2,872**	-	2,872
Consulting fees	**162,920**	-	162,920
Directors' fees	**5,500**	-	5,500
Filing fees	**29,616**	-	29,616
Management fees	**17,960**	-	17,960
Office and general	**29,265**	-	29,265
Professional fees	**67,138**	-	67,138
	315,271	**-**	**315,271**
Other Income			
Interest Income	**129**	-	129
Write off mineral properties	**(380,264)**	-	(380,264)
Gain on debt settlement	**142,800**	-	142,800
	(237,335)	**-**	(237,335)
Net and Comprehensive Loss for the Year	**$ (584,159)**	$ -	$ (584,159)
Basic and Diluted Loss per Share	**$ (0.01)**	$ -	$ (0.01)
Weighted Average Number of Shares Outstanding	**63,573,017**	-	63,573,017

16. RECONCILIATIONS FROM CANADIAN GAAP TO IFRS

IFRS 1 requires an entity to reconcile equity, comprehensive income and cash flows for prior periods.

The reconciliation of the statement of cash flows for the six month period ended June 30, 2010 has no changes once reconciled to IFRS and have not been prepared.

The reconciliation of the statement of cash flows for the twelve month period ended December 31, 2010 has no changes once reconciled to IFRS and have not been prepared.