

ELECTRA GOLD LTD.

MANAGEMENT DISCUSSION AND ANALYSIS SIX MONTH PERIOD ENDED JUNE 30, 2011

The following discussion and analysis, with an approval date of August 18, 2011, should be read together with the interim financial statements for the six month period ended June 30, 2011 and related notes attached thereto, which are prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are stated in Canadian dollars unless otherwise indicated.

Overview

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

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

The following is a summary of significant events and transactions that occurred during the second 2011 quarter. Specifically:

- A total of 26,223.73 tonnes was shipped in two barge loads, (2010 – 7,726 tonnes in 1 barge load).
- 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 has proposed a settlement of \$84,000 with respect to the work performed, this amount was accrued at December 31, 2010. A Mutual Release was signed on April 20, 2011 between the Company and the former contractor which entailed the dismissal of the Notice of a Civil Claim in the BC Supreme Court for settlement of \$105,000. An adjustment of \$21,000 was recorded as necessary to reflect the final settlement which was settled on May 5, 2011.
- The Company started exploration work on the Apex Dot Property and expended over \$87,000 in the quarter. Phase 1 of the diamond drilling program was completed during the quarter. Five holes were drilled with mineralization experienced in each. Further news in relation to the program can be viewed on www.sedar.com dated July 11, and August 2, 2011.
- The Company paid the final payment in relation to the Suquash Coal Property Option agreement and now owns the property. During the quarter a further \$28,442 was spent on the coal property for exploration.
- The Company began work on the newly acquired Gold Ledge Property and incurred \$14,475 in exploration expenses during the quarter to further advance the property. News on the exploration can be viewed on www.sedar.com on July 11, 2011.

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Conversion to IFRS

Effective January 1, 2011 the Company transitioned from Canadian Generally Accepted Accounting Principles ("GAAP") to International Financial Reporting Standards ("IFRS"). The interim financial statements at June 30, 2011 are the first second quarter statements prepared under the IFRS in accordance with IFRS 1, *First Time Adoption of International Financial Reporting Standards*, and with International Accounting Standards ("IAS") 34, *Interim Financial Reporting*. The disclosures concerning the transition from Canadian GAAP to IFRS are included in the notes to the interim financial statements for the six month period ended June 30, 2011 and 2010.

Results of Operations

The Company has experienced 28 consecutive quarters of commercial production. The volume of chalky geyserite shipped in 2010 was 55,112 (2009 – 89,942) tonnes. In 2010, six shipments were made, whereas in 2009 eleven shipments were made. During the quarter ended March 31, 2011 there were no shipments of chalky geyserite shipped and in the second quarter ended June 30, 2011 two shipments were delivered totaling 26,223.73 tonnes.

Cost of sales in the quarter were \$409,157 (June 30, 2010 \$264,962) which are higher than the comparable period of 2010 due to an increase in production of material and sales which was triple the amount of the 2010 second quarter.

Administrative expenses during the quarter ended June 30, 2011 were up \$68,721 compared to the same period ended 2010. New business consultants comprised the majority of the increase (\$55,100) followed by an increase in office and general expenses of \$4,706 due to updating the corporate website. The professional fees were also up \$7,586 in the quarter ended June 30, 2011 compared to the 2010 year due to legal fees associated with the final settlement of the lawsuit.

Liquidity & Solvency

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

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

	June 30, 2011	December 31, 2010
Working capital (deficiency)	(370,110)	(328,899)
Deficit	16,513,912	16,714,917

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Liquidity & Solvency (continued)

As at June 30, 2011 the Company held \$299,088 (December 31, 2010 - \$218,016) in cash assets and had a net loss for the quarter of \$157,785 (June 30, 2010 - \$202,686) due to the increase in business consulting fees of \$55,100, write down of marketable securities of \$14,000 and write down of mineral production property in the amount of \$26,670. A gross profit was realized on the production property for the three months ended June 30, 2011 of \$10,003.

Net cash used for investing activities for the quarter ended June 30, 2011 was \$139,970 compared to net cash used by investing activities of \$143,896 during the quarter ended June 30, 2010. The decrease is primarily due to the decrease in the exploration property advances.

Financing activities provided cash of \$45,000 during the quarter ended June 30, 2011 compared to \$Nil for the quarter ended June 30, 2010. The final share issuance for the Suquash Coal Property Option agreement was the only transaction recorded during the second quarter of 2011 in relation to financing.

Summary of Quarterly Results

	Years Ended December 31,							
	2011		2010				2009	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue	\$ 419,160	\$ -	\$ -	\$ 634,377	\$ 134,855	\$ 246,195	\$ 501,220	\$ 727,045
Net Income (Loss)	(157,785)	358,789	(127,912)	342,747	(196,083)	(167,524)	(1,302,913)	(66,861)
Basic & Diluted								
Income (Loss) per share	\$ (0.00)	\$ 0.01	\$ -	\$ 0.01	\$ -	\$ -	\$ (0.04)	\$ -
	IFRS	IFRS			IFRS	IFRS		
	These numbers represent Canadian GAAP figures unless otherwise indicated.							

The results above are consistent with the decreased shipments due to the economic slowdown of the US and Canadian cement markets. The quarter ended June 30, 2011 had a loss of \$157,785 which is less than the second quarter in the 2010 year. The sales revenue in 2011 for the second quarter was nearly triple that of the 2010 year but the losses only differed by \$38,298 due to the write down of marketable securities in the 2011 year and the write down of mineral production property. The fourth quarter of 2009 had a significant loss due to the write down of its mineral properties and equipment amounting to \$1,289,154. The net income in 2011 first quarter is due to the reversal of contributed surplus in the amount of \$649,301. There was no revenue in the first quarter ended March 31, 2011.

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Capital Resources

The Company has sufficient funds to meet its operational expenses for 2011 and cover anticipated administrative expenses throughout the year. In light of a valuation of the PEM 100 quarry completed in January 2010, the Company decided to write-off the asset in the amount of \$1,159,798 due to the negligible value and drain on cash flow in 2009 and \$380,264 in 2010. The Company has taken a further write down during the quarter ended March 31, 2011 in the amount of \$60,616 and \$26,670 for the quarter ended June 30, 2011 leaving the balance of the production asset at \$Nil. It will continue the chalky geyserrite production at its PEM100 Quarry site in Port Hardy with an effort to lower administrative and production expenses until a suitable arrangement can be found for the property. The Company is searching for alternative arrangements for the mineral property to enhance shareholder value and reduce operating expenses.

The discussion and analysis of our financial condition and results of operations is based on our interim financial statements, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Application of IFRS requires the use of estimates, judgments and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements as well as the revenues and expenses reported during the period. Changes in these estimates, judgments and assumptions will occur as a result of future events, and accordingly, actual results could differ from amounts estimated.

Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements to which the Company is committed as at June 30, 2011.

Related Party Transactions

- 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). The Company has adopted resolutions to pay each director \$500 per meeting.
- 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.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

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Proposed Transactions

The Company may be required to raise further capital in order to meet all financial obligations for future periods. The Company may raise the required capital through private placement offerings of its securities.

Critical Accounting Estimates

Management regularly assesses the mineral properties for impairment. As at December 31, 2010, an impairment provision of \$380,264 (2009 - \$1,159,798) was entered for the various mineral properties. During the quarter ended June 30, 2011 an impairment of \$26,670 was recorded for the PEM 100 production property.

Share Data

As at August 18, 2011

Authorized share capital: Unlimited common shares without par value and unlimited number of class A preference shares without par value;

No options were outstanding June 30, 2011 and 21,283,499 warrants are outstanding at an average price of \$0.10 per share.

Shares issued and outstanding as at August 18, 2011: common shares 88,602,273;

As at August 18, 2011 the options outstanding are 4,000,000, warrants outstanding are 20,983,499 with an average exercise price of \$0.10.

Subsequent Events

- The Company set 4,000,000 options to Directors, Officers and Consultants of the Company exercisable at \$0.10 for a period of two years as announced on June 30, 2011 on www.sedar.com.
- 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 geysers was shipped on August 2nd, 2011 to Ash Grove.
- The Company announced on August 2, 2011, the completion of an initial field program on its Gold Ledge Property near Cranbrook, BC. Full details can be viewed on www.sedar.com.

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Outlook

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

Corporate Governance

The Company's Board of Directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders.

The current Board of Directors is comprised of five individuals, three of whom is neither an officer nor employee of the Company and is unrelated and independent from Management. The audit committee is comprised of two directors, of whom both are independent from management and one officer who is not independent.

The audit committee fulfills its role of ensuring the integrity of the reported information through its review of the interim and audited financial statements prior to their submission to the Board of Directors for approval. The audit committee meets with management quarterly to review the financial statements including the MD&A and to discuss other financial, operating and internal control matters.

Controls and Procedures

In contrast to the certificate required under National Instrument 52-109 Certificate of Disclosure in Issuers' Annual and Interim Filings (NI 52-109), this Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109, in particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

- i. Controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings, or other reports files or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii. A process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's IFRS.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency, and timeliness of interim and annual filings and other reports provided under securities legislation.

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Transition to International Financial Reporting Standards

Commencing on January 1, 2011, IFRS are the generally accepted accounting principles in Canada. The changeover date of January 1, 2011 required the restatement for comparative purposes, of amounts reported by us for the year ended December 31, 2010, including the opening balance sheet as at January 1, 2010.

Summary of Exemption Available

IFRS 1 First Time Adoption of International Reporting Standards sets forth guidance for the initial adoption of IFRS. Under IFRS 1 the standards are applied retrospectively at the transitional statement of financial position date with all adjustments to assets and liabilities taken to retained earnings unless certain exemptions are applied.

The Company has applied the following exemptions to its opening statement of financial position dated January 1, 2010 as further described in Note 3 of the June 30, 2011 Interim Unaudited Financial Statements:

- Marketable Securities
- Business Combinations
- Decommissioning Liability
- Available for sale investments

There are some key differences in the transition from Canadian GAAP to IFRS identified by the Company that will impact the financial statements and terms noted as follows:

Exploration and Evaluation assets ("E&E") – Exploration license and unproved property acquisition costs, geological and geophysical costs and costs directly associated with exploration are capitalized within exploration and evaluation assets. The Company's properties have been classified as exploration and evaluation properties with no change to the recorded amount.

Caution Regarding Forward-looking Information

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

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