CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2004

(Stated in U.S. Dollars)

(Prepared by Management Without Audit)

Asia Gold Corp.
654 - 999 Canada Place Vancouver, BC V6C 3E1
Tel: 604 681 6799 Fax: 604 688 8391 Website: www.asiagold-corp.com

ASIA GOLD CORP.
Consolidated Balance Sheet
(Unaudited)
(Stated in U.S. dollars)

		March 31, 2004		December 31, 2003
ASSETS				
CURRENT				
Cash and cash equivalents	**$**	**10,732,755**	$	11,869,149
Accounts receivable		**113,131**		342,596
Inventory		**-**		248,083
Prepaid expenses		**182,800**		21,993
Assets held for disposal by sale (Note 2)		**1,641,779**		-
		12,670,465		12,481,821
MINERAL PROPERTIES		**158,384**		333,982
PROPERTY, PLANT AND EQUIPMENT		**31,812**		656,600
	$	**12,860,661**	$	13,472,403
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities	**$**	**632,918**	$	1,195,390
Asset retirement obligation		**-**		387,766
Obligations related to assets held for disposal by sale (Note 2)		**748,660**		-
		1,381,578		1,583,156
SHAREHOLDERS' EQUITY				
Share capital				
Authorized				
Unlimited common shares without par value				
Issued and outstanding				
14,622,349 common shares		**14,183,003**		14,183,003
Contributed surplus (Note 6)		**314,051**		240,177
Deficit		**(3,017,971)**		(2,533,933)
		11,479,083		11,889,247
	$	**12,860,661**	$	13,472,403

APPROVED BY THE BOARD

(Signed) Andre Deepwell

Andre Deepwell, Director

(Signed) Pierre Lebel

Pierre Lebel, Director

ASIA GOLD CORP.
Consolidated Statement of Operations and Deficit
Three months ended March 31
(Unaudited)
(Stated in U.S. dollars)

		2004		2003
EXPENSES				
Depreciation	$	920	$	-
Exploration, net of incidental revenues (Schedule)		17,930		2,058
Investor relations		14,628		-
Legal		47,660		954
Office and administration		61,426		3,612
Professional fees		11,071		13,028
Salaries		117,248		-
Stock-based compensation		73,874		-
Travel		35,382		1,496
		380,139		21,148
OTHER (INCOME) EXPENSES				
Interest income		(23,955)		(15)
Foreign exchange		110,438		4,549
Other		17,416		-
		103,899		4,534
NET LOSS		484,038		25,682
DEFICIT, BEGINNING OF PERIOD		2,533,933		216,022
DEFICIT, END OF PERIOD	$	3,017,971	$	241,704
BASIC AND DILUTED LOSS PER SHARE	$	(0.03)	$	(0.01)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING		14,622,349		2,043,416

ASIA GOLD CORP.
Consolidated Statement of Cash Flows
Three months ended March 31
(Unaudited)
(Stated in U.S. dollars)

	2004	2003
OPERATING ACTIVITIES		
Net loss	**$ (484,038)**	$ (25,682)
Items not requiring use of cash		
Depreciation	**99,941**	-
Stock-based compensation	**73,874**	-
Changes in non-cash working capital items (Note 5)	**(383,566)**	25,060
	(693,789)	(622)
INVESTING ACTIVITY		
Property, plant and equipment	**(7,627)**	-
FINANCING ACTIVITY		
Repayment of notes payable to related party	-	(2,656)
DECREASE IN CASH	**(701,416)**	(3,278)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**11,869,149**	3,868
RECLASSIFICATION OF CASH RELATED TO ASSETS HELD FOR DISPOSAL BY SALE	**(434,978)**	-
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ 10,732,755**	$ 590
CASH AND CASH EQUIVALENTS ARE COMPRISED OF:		
Cash in bank	**$ 2,248,128**	$ 590
Term deposits	**8,919,605**	-
	$ 11,167,733	$ 590

(Stated in U.S. dollars)

1. BASIS OF PRESENTATION

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). However, they do not include all the information and disclosures required by Canadian GAAP for annual financial statements. They have been prepared on the same accounting policies and methods of applications as the latest annual consolidated financial statements. In the opinion of management, all adjustments of a normal recurring nature necessary for a fair presentation have been included. The results for interim periods are not necessarily indicative of results for the entire year. The information contained in the interim financial statements should be read in conjunction with the Company's latest audited consolidated financial statements for the year ended December 31, 2003.

Asia Gold Corp. and its subsidiaries are collectively referred to as "Company".

Certain prior period figures have been reclassified to conform with the current presentation.

2. ASSETS HELD FOR DISPOSAL BY SALE

Assets that are not yet disposed of at period end, for which a sale transaction has occurred subsequent to period end (Note 8), are segregated and classified as assets held for disposal by sale. Liabilities related to these assets are classified as obligations related to assets held for disposal by sale. Long lived assets that are classified as assets held for disposal by sale at period end, for which the sale has been completed by the date of the completion of these financial statements, are classified as current assets.

Assets held for disposal by sale at March 31, 2004:		
South Korean Properties		
Cash	$	434,978
Accounts receivable		244,691
Inventory		248,083
Prepaid expenses		5,955
Mineral properties		175,598
Property, plant and equipment		532,474
	$	1,641,779

Obligations related to assets held for disposal by sale at March 31, 2004:		
South Korean Properties		
Accounts payable and accrued liabilities	$	360,894
Asset retirement obligation		387,766
	$	748,660

(Stated in U.S. dollars)

3. OTHER RELATED PARTY TRANSACTIONS

(a) The Company incurred the following expenses with companies related by officers or directors in common:

	Three months ended March 31, **2004**	2003
Exploration expenses	**$ 139,140**	$ -
General and administrative expenses	**158,756**	-
	$ 297,896	$ -

(b) Accounts payable and accrued liabilities include the following elements:

	March 31, 2004	December 31, 2003
Amounts due to companies related by way of directors and officers in common	**$ 69,460**	$ 46,276
Amount due to Ivanhoe Mines Ltd.	**514,875**	388,085

4. SEGMENT DISCLOSURES

(a) The Company currently operates in one industry segment.

(b) Mineral properties at the end of the period:

	March 31, 2004	December 31, 2003
Mongolia	**$ 158,384**	$ 158,384
South Korea	**-**	175,598
	$ 158,384	$ 333,982

(Stated in U.S. dollars)

4. SEGMENT DISCLOSURES (Continued)

(c) Property, plant and equipment at the end of the period:

		March 31, 2004		December 31, 2003
South Korea	**$**	**-**	$	630,137
Mongolia		**22,168**		20,089
Canada		**9,644**		6,374
	$	**31,812**	$	656,600

5. SUPPLEMENTAL CASH FLOW INFORMATION

Net change in non-cash working capital items:

	Three Months Ended March 31,			
		2004		2003
Net increase in:				
Accounts receivable	**$**	**(15,226)**	$	(1,161)
Prepaid expenses		**(166,762)**		(77)
Net (decrease) increase in:				
Accounts payable and accrued liabilities		**(201,578)**		26,298
	$	**(383,566)**	$	25,060

6. SHARE CAPITAL

(a) *Stock-based compensation - officers and employees*

The Company granted 135,000 stock options to certain officers and employees at exercise prices ranging from Cdn.$2.00 to Cdn.$3.00 with expiry dates ranging from January 22, 2009 to March 29, 2009. The weighted average fair value of the options issued was estimated at Cdn.$0.54 per share option at the grant date using the Black-Scholes model. The weighted average assumptions used for the calculation were an expected life of five years, volatility of approximately 12%, a risk-free interest of 3.79% and expected dividends of $Nil. A compensation cost of $59,071 will be amortized over the vesting period, of which $22,743 was recognized in the first quarter.

6. SHARE CAPITAL (Continued)

(b) Outstanding stock options and warrants

As at March 31, 2004, there were 1,328,000 stock options outstanding with exercise prices and expiry dates ranging from Cdn.$2.00 to Cdn.$3.00 and November 8, 2008 to March 29, 2009, respectively.

As at March 31, 2004, there were 833,333 warrants outstanding, issued to Ivanhoe Mines Ltd., with an exercise price of Cdn.$1.32 and expiry date of July 31, 2004.

As at March 31, 2004, there were 500,000 warrants outstanding, with an exercise price of Cdn.$3.00 and expiry date of December 11, 2005.

7. CONTINGENT LIABILITY

A claim has been filed against a subsidiary of the Company in South Korea with the National Environmental Dispute Resolution Commission alleging that noise, vibration and dust from the Eunsan mine has caused direct damage to fish in a nearby hatchery, cracks in hatchery buildings and mental distress. The Company believes this claim is without merit and intends to vigorously defend it. Should the Commission not rule in favour of the Company, the potential damages could total a maximum of approximately $370,000 (Korean Won 421,110,000). Under the terms of the acquisition agreement with Ivanhoe Mines Ltd. (Note 3 - annual audited financial statements for the year ended December 31, 2003), Ivanhoe Mines Ltd. has agreed to indemnify the Company for any losses arising from this claim.

8. SUBSEQUENT EVENT

Subsequent to March 31, 2004, Asia Gold Corp. has agreed to sell its 90% interest in its South Korean properties to Hangum Co. Ltd., a South Korean company that currently owns the remaining 10% of these assets. In consideration for the sale of these assets, Asia Gold Corp. will receive $422,000 plus all proceeds from the sale of concentrate produced from the Eunsan Mine up to March 31, 2004 and held in inventory at that time (an amount estimated to be $480,000). This transaction is scheduled to close by June 10, 2004.

ASIA GOLD CORP.
Consolidated Schedule of Exploration Expenses
Three months ended March 31
(Unaudited)
(Stated in U.S. dollars)

	2004			2003
	Mongolia	**South Korea**	**Total**	(Mongolia)
Camp costs	**$ 19,537**	**$ 24,096**	**$ 43,633**	$ -
Consulting	**30,756**	**544,747**	**575,503**	2,058
Depreciation	**1,164**	**97,857**	**99,021**	-
Drilling	**3,382**	**-**	**3,382**	-
Filing fees	**7,554**	**59,526**	**67,080**	-
Fuel	**1,114**	**19,959**	**21,073**	-
Legal	**-**	**872**	**872**	
Maps, photos and reproductions	**2,221**	**185**	**2,406**	-
Office	**20,916**	**49,681**	**70,597**	-
Rental, lease and charter costs	**2,979**	**2,599**	**5,578**	-
Salaries	**114,262**	**347,252**	**461,514**	-
Supplies	**125**	**3,358**	**3,483**	-
Travel	**16,288**	**11,876**	**28,164**	-
	220,298	**1,162,008**	**1,382,306**	2,058
Incidental revenues from the sale of gold-silver	**-**	**(1,364,376)**	**(1,364,376)**	-
	$ 220,298	**$ (202,368)**	**$ 17,930**	$ 2,058

ASIA GOLD CORP.
Schedule B – Supplementary Information
March 31, 2004
(Stated in U.S. dollars)

1. Securities Issued

For the three months ended March 31, 2004, there were no common shares issued.

For the three months ended March 31, 2004, the following share purchase options were issued:

Date	Number	Optionee	Price Cdn$	Expiry Date
1/22/2004	100,000	Richard Gosse	$ 3.00	1/22/2009
3/15/2004	5,000	Employee	2.14	3/11/2009
3/29/2004	30,000	Employee	2.00	3/29/2009

2. Securities Outstanding

As at March 31, 2004, the following securities were outstanding:

(a) The Company is authorized to issue an unlimited number of common shares without par value.
(b) There are 14,622,349 common shares outstanding with a recorded value of $14,183,003.
(c) There are 1,328,000 share purchase options outstanding with exercise prices and expiry dates ranging from Cdn. $2.00 to Cdn.$3.00 and November 8, 2008 to March 29, 2009, respectively.
(d) There are 833,333 warrants outstanding with an exercise price of Cdn. $1.32 per share which expire July 31, 2004
(e) There are 500,000 warrants outstanding with an exercise price of Cdn. $3.00 which expire on December 11, 2005.
(f) There are currently an aggregate of 8,622,416 common shares and 833,333 outstanding share purchase warrants subject to escrow or pooling arrangements.

3. Directors and Officers

David Owens, President & Director
Pierre Lebel, Chairman & Director
Peter Meredith, Director
Edward Flood, Director
Andre Deepwell, Director
Doug Kirwin, Director
Richard Gosse – VP, Exploration
Greg Shenton, Chief Financial Officer
Beverly Bartlett, Secretary

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

March 31, 2004

(Stated in U.S. Dollars)

(Prepared by Management Without Audit)

Asia Gold Corp.
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MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
ASIA GOLD CORP.
March 31, 2004
(Stated in U.S. Dollars)

OVERVIEW

Asia Gold Corp. and its subsidiaries (collectively the "Company") is a mining exploration and development company with a focus on precious and base metal exploration and development in Mongolia. Asia Gold Corp. trades on the TSX Venture exchange under the symbol ASG.

Management Changes

On February 1, 2004 Mr. Richard Gosse was appointed as Vice President, Exploration.

Sale of Assets in South Korea

Asia Gold Corp. has agreed to sell its 90% interest in its South Korean properties to Hangum Co. Ltd., a South Korean company that currently owns the remaining 10% of these assets. In consideration for the sale of these assets, Asia Gold Corp. will receive $422,000 plus all proceeds from the sale of concentrate produced from the Eunsan Mine up to March 31, 2004 and held in inventory at that time (an amount estimated to be $480,000). This transaction is scheduled to close by June 10, 2004.

FORWARD LOOKING STATEMENTS

Except for statements of fact relating to the Company together with its subsidiaries (collectively referred to as the "Company"), certain information contained herein constitutes forward-looking statements. Forward-looking statements are frequently characterized by words such as "plan", "expect","project","intend","believe","anticipate" and other similar words, or statements that certain events or conditions "may" or "will" occur. Forward-looking statements are based on the opinions and estimates of management at the dates the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. These factors include the inherent risks involved in the exploration and development of mineral properties, the uncertainties involved in interpreting drilling results and other ecological data, fluctuating metal prices, the possibility of project cost overruns or unanticipated costs and expenses, uncertainties related to the availability of and costs of financing needed in the future and other factors described in this discussion under the heading "Outlook". The Company undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change. The reader is cautioned not to place undue reliance on forward-looking statements.

MINING AND EXPLORATION PROPERTIES

Mongolia Exploration Licenses

The Company holds 40 exploration licenses in Mongolia covering an aggregate area of approximately 3.9 million hectares ("ha"). 35 of these licenses, the Western Gobi Property, are located in the west-central portion of the Omnogovi Aimag (province) approximately 510 kilometers ("km") from Ulaan Baatar, Mongolia. The 5 remaining licenses are known as the Oyut Ovoo property and are located approximately 270 km southwest of Ulaan Baatar

Exploration Programs and Budgets.

Detailed fieldwork on the main zone of potential mineralization at Oyut Ovoo started in August 2003. The work program included detailed mapping, outcrop sampling and a ground magnetic geophysical survey. The Company also conducted reconnaissance work on the surrounding Oyut Ovoo licenses. A gradient array induced polarization ("IP") geophysical survey was completed in December 2003. Structural interpretation of high-resolution satellite images was completed in conjunction with the field exploration. This work has identified a skarn intrusive complex, with coincident high chargeability and highly magnetic anomalies. The company completed an initial diamond drilling program in April, 2004 on the Oyut Ovoo property consisting of 1,715 metres in 6 drill holes; assay results are pending. When results are known from this drill program, a detailed evaluation will be undertaken to determine the nature of future programs for this project.

The Company received the final report on the West Gobi License Block, prepared by Ivanhoe Mines Mongolia Inc., who conducted the exploration work on a contract basis during 2003. This exploration work has identified 11 medium to high priority targets that represent potential epithermal and porphyry style mineralization. High priority targets scheduled for follow-up work in 2004 include Dune, Yagaan, Tsagaan Temme West, Tsagaan Temme Central and Alag Mtn.

The Company received the final trench results and the final report from Ivanhoe Mines Mongolia Inc. for the Dune Project, where exploration conducted in 2003 has identified a quartz-carbonate vein structure with textures consistent with the upper levels of a low-sulphidation epithermal gold system. The vein structure has been traced over a minimum strike length of 450 metres. A 9-hole drill program consisting of approximately 1,350 metres commenced in May, 2004.

The Company has hired experienced technical staff, including a GIS specialist, geochemist and geologists. During the second quarter of 2004, geological mapping and sampling will commence on the priority targets identified during 2003 to define drill targets at Yagaan Tsagaan Temee West, Tsagaan Temee Central and Alag Mtn. Initial reconnaissance of all licenses not evaluated during 2003 will also commence.

The Company finalized and approved a budget of $3.8 million for exploration of the Oyut Ovoo and West Gobi Projects. A contingency of $1.8 million was allocated for drilling when additional targets were identified. To March 31, 2004, exploration expenses totaling $220,000 had been spent in respect of this budget.

South Korea

The Company carries out exploration and limited production activities at the Eunsan gold and silver mine which is located on the coast of Chollonam-Do Province in the southwestern part of South Korea approximately 25 km south of the port city of Mokp'o. Eunsan was acquired from Ivanhoe Mines Ltd. on July 31, 2003.

The long term viability of the Eunsan property was entirely dependant upon the discovery of additional high grade ore shoots at either Eunsan or one of the other related South Korean properties which were acquired from Ivanhoe Mines. Exploration activities at Eunsan during the period from September, 2003 through to January, 2004 proved unsuccessful in this regard. Mining activity at the Eunsan property ceased in April 2004, the mill will continue to process stockpiled ore and tailings.

A total of $600,000 of net cash flow has been received by Asia Gold Corp. from the Eunsan project during the period from acquisition to March, 2004. This amount represents the net costs recovered by the Eunsan project from the sale of concentrate in excess of those amounts used for exploration and operational activities during this period.

In April 2004, the Asia Gold Corp. entered an agreement to sell its 90% interest in its South Korean properties to Hangum Co. Ltd. a South Korean company that currently owns the other 10% interest in these assets. In consideration for the sale of these assets, Asia Gold Corp. will receive $422,000, which is to be paid in installments between April 1, 2004 and June 15, 2004, plus all proceeds from the eventual sale of concentrate produced up to March 31, 2004 which was held in inventory at that time (an amount estimated to be $480,000). This transaction is scheduled to close on June 10, 2004. To date, Asia Gold Corp. has received $200,000 in installment payments and $256,000 representing partial payment from the sale of the March concentrate inventory.

All existing mine site restoration liabilities will be transferred to the purchaser on closing of the transaction.

RESULTS OF OPERATIONS

CRITICAL ACCOUNTING ESTIMATES

A detailed summary of all of the Company's significant accounting policies is included in Note 2 to the annual Consolidated Financial Statements for the year ended December 31, 2003.

Significant estimates used in the preparation of these consolidated financial statements include, amongst other things, the recoverability of accounts receivable, the estimated net realizable value of inventories, the expected economic lives of and the estimated future operating results and net cash flows from mineral properties, plant and equipment, and the anticipated costs of asset retirement obligations including the reclamation of mine sites.

Overview

This review of the results of operations should be read in conjunction with the Consolidated Financial Statements of the Company for the year ended December 31, 2003.

Current operations commenced with the completion of the acquisition agreement with Ivanhoe Mines on July 31, 2003. For this reason, the aggregate net loss for the three-month period ended March 31, 2003 does not represent results which are comparative to the results for the first quarter of 2004. In addition, as the Company is in the development stage financial results are generally not fully comparable to those of the corresponding period in the prior year due to potential significant changes to the nature of the Company's operations. Accordingly, the current quarter's operating results will be compared to those of the immediately preceding quarter.

Three Months Ended March 31, 2004 and December 31, 2003

	Three Months Ended	
	March 31, 2004	December 31, 2003
EXPENSES		
Depreciation	$ 920	$ (1,062)
Exploration	17,930	(821,619)
Investor relations	14,628	5,580
Legal	47,660	27,515
Office and administration	61,426	55,376
Professional fees	11,071	39,455
Salaries	117,248	110,973
Stock based compensation	73,874	240,177
Travel	35,382	26,702
	380,138	(316,904)
OTHER (INCOME)/EXPENSES		
Interest income	(23,955)	(16,085)
Interest expense	-	2,833
Foreign exchange (gains) losses	110,438	(263,795)
Loss on disposal of equipment	-	53,418
Write down of mineral property	-	1,078,277
Write down of plant and equipment	-	81,032
Other	17,418	56,879
	103,900	992,559
LOSS BEFORE INCOME TAX RECOVERY	484,038	675,655
FUTURE INCOME TAX RECOVERY	-	(35,915)
NET LOSS	$ 484,038	$ 639,740

The Company incurred a net loss of $484,000 for the three-month period ended March 31, 2004 as compared to a net loss of $640,000 for the preceding three-month period. The loss in the December quarter was largely the result of a write-down of the Eunsan mineral property and plant and equipment costs; recoveries of exploration expenditures from the sale of concentrate at the Eunsan Mine offset all other exploration and administrative costs for this period. The net loss in the March 2004 quarter is primarily due to administrative expenditures incurred during that period.

Exploration expenditures of $220,000 and $1,162,000 were incurred on the Mongolian and Korean properties, respectively, during the three months ended March 31, 2004. Exploration expense recoveries in the amount of $1,364,000 were realized from the sale of concentrate from the Eunsan mine in Korea resulting in net exploration expenditures of $18,000 for the period. Exploration expenditures of $2,031,000 were incurred during the fourth quarter of 2003, $416,000 on the Mongolian properties and $1,615,000 on exploration and operations at the Eunsan mine. These expenses were offset by the sale of concentrate at Eunsan in the amount of $2,853,000 resulting in a net exploration cost recovery of $822,000 for the December 2003 quarter. Expenses incurred at the Eunsan mine have been recorded as exploration costs as the Eunsan mine was unable to demonstrate that it could run as a self-sustaining operation. The reduction in exploration expenditures on the Mongolian properties reflects a seasonal downturn in exploration activities during the winter months in Mongolia.

Professional fees for the three months ended March 31, 2003 include an accrual of $10,000 for the cost of a review, performed by the Company’s auditors, of the Company’s March 2004 quarterly financial statements as well as fees of $19,000 paid to Company’s financial advisor for expenses incurred in relation to the Company’s IPO. In addition, a net credit of $19,000 was realized in the current quarter resulting from an over accrual of audit fees in December 2003. Professional fees for the December 31, 2003 quarter consisted primarily of accrued audit fees.

Investor relations costs increased by approximately $9,000 for the March 2004 quarter compared to those amounts incurred in the December 2003 quarter. This increase reflects the costs of registration and display space at the Prospectors and Developers Association of Canada annual meeting in March 2004, as well as printing costs for Company brochures and promotional materials.

Legal fees were incurred on a relatively consistent basis throughout the March and December periods. The majority of these charges were for costs associated with the Company’s regulatory affairs including issues associated with corporate governance, filing, registration and disclosure.

Office and administration fees and salary costs increased from the December quarter to the March quarter. Certain of the Company’s administrative staff and office facilities are employed/provided by Global Mining Management (“GMM”)(see ‘Related party transactions’ below) whose costs are allocated on an as-used basis. Accordingly, quarterly fluctuations in the costs of administrative and personnel costs can be expected commensurate with increases or decreases in quarterly corporate activity. The increase of $6,000 in both office and administration and salary costs results directly from additional office infrastructure allocations associated with an increased use of GMM administrative staff during the first quarter of 2004 and from the hiring of the Company’s new Vice President, Exploration.

Stock based compensation in the amount of $240,000 was recorded in the December quarter and $74,000 in the March quarter. Stock-based compensation is recognized over the vesting period of the stock options to which it relates. In December 2003, one-third of the options then granted vested on the date of grant resulting in amortization of $240,000 of the total compensation cost of $661,000. The amount recorded for the March quarter reflects amortization of $51,000, representing a proportionate share of the balance of the valuation of stock options granted in 2003, as well as amortization of $23,000 of the total compensation cost of $59,000 for those options granted during the March, 2004 quarter. Option pricing models require the input of highly subjective assumptions regarding the expected volatility. Changes in assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options at the date of the grant or thereafter.

Interest income increased in the first quarter of 2004 as cash received in December 2003 from the completion of the Company's IPO earned interest for the entire three-month period. An unrealized foreign exchange gain of $264,000 was recorded in the December quarter versus a loss of $110,000 for the March period. This gain and loss and the period to period fluctuation is the result of the changes to the U.S. to Canadian dollar exchange rates over these periods and the resultant increase/decrease in the U.S. dollar equivalent of Canadian dollar denominated cash deposits.

Summary of quarterly results

	2004	2003	
	March 31,	December 31,	September 30,
Net loss	$ 484,038	$ 2,278,008	$ 1,550,111
Basic and diluted loss per share	$ 0.03	$ 0.43	$ 0.22

Related party transactions

Certain administrative costs are paid to GMM for corporate secretarial, accounting, investor relations and administrative services performed on behalf of the Company. GMM is related to Asia Gold Corp. as certain officers and directors are common to each company. GMM provides these services to a group of companies some of which are related to Asia Gold Corp., such as Ivanhoe Mines, and others which are not. The services provided by GMM are incurred on an as-used basis. The Company has utilized the services of the GMM staff and office since June 1, 2003 and has incurred costs of $159,000 and $143,000 for the three-month periods ended March 31, 2004 and December 31, 2003, respectively.

The Company contracted Ivanhoe to conduct exploration activities on the Company's behalf on its Mongolian properties during the latter half of 2003 and early 2004. For the quarters ended March 31, 2004 and December 31, 2003, the Company incurred charges of $139,000 and $208,000, respectively, for personnel and services used in this regard.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2004, the Company had a working capital balance of $11.3 million and cash resources of $10.7 million. It is anticipated that approximately $900,000 will be made available during the second quarter of 2004 from proceeds from the sale of the South Korean properties; of this amount, $456,000 had been received to May 15, 2004. Budgeted expenditures for 2004 are $5,000,000, consisting of exploration and administrative expenditures in Mongolia of $3.8 million and corporate administrative costs of $1.2 million. Approximately $600,000 of this amount (excluding the net recovery from the Eunsan mine) had been incurred to March 31, 2004. Planned exploration expenditures are contingent upon the relative success of exploration initiatives, and may be adjusted during the year; accordingly, a contingent drilling budget of an additional $1.8 million has been approved in this regard. In addition, the Company is actively pursuing exploration opportunities outside the scope of its existing properties; should any of these opportunities come to fruition, the annual exploration budget would need to be revised to encompass the additional expenditures. For 2004, the Company expects to fund its exploration programs and ongoing administrative costs from the balance of working capital on hand.

Despite the foregoing, the Company does not have the funds or the ability to generate funds necessary to complete all planned exploration activities or maintain operations for the long term. Significant additional funding will be required in future periods, and this funding will likely be in the form of additional equity financings. There can be no assurance given; however, that such funding will be available when required or on terms which are acceptable to the Company.

RISK FACTORS

The business of mineral exploration and extraction involves a high degree of risk. Few properties that are explored are ultimately developed into production. At present, none of the Company's properties, with the potential exception of the ore stockpile at Eunsan, has a known body of commercial ore. In addition to specific risks disclosed throughout this discussion, other risks facing the Company include competition, reliance on third parties, environmental and insurance risks, political instability, statutory and regulatory requirements, metal prices and foreign currency fluctuations, share price volatility, and title risks.

OUTLOOK

The Company will concentrate its efforts on (i) identification and drilling of prospective copper-gold targets on its exploration licenses in Mongolia, (ii) completion of the sale of the South Korean properties, and (iii) identification and acquisition of new mineral property exploration opportunities. The Company is well positioned to conduct its planned activities as it has sufficient working capital to complete its current programs and, due to its proximity to China, has access to a market which has a strong demand for raw materials and precious metals.

May 19, 2004