



CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2005

(Stated in U.S. Dollars)

(Prepared by Management Without Audit)

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

	<u>June 30,</u> <u>2005</u>	<u>December 31,</u> <u>2004</u>
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 5,050,841	\$ 8,222,182
Accounts receivable	27,914	79,737
Prepaid expenses	439,265	124,276
	<u>5,518,020</u>	<u>8,426,195</u>
MINERAL PROPERTIES	158,384	158,384
PLANT AND EQUIPMENT	122,988	114,528
	<u>\$ 5,799,392</u>	<u>\$ 8,699,107</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 175,691	\$ 1,035,404
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 2)	794,055	518,096
Deficit	(9,353,357)	(7,037,396)
	<u>5,623,701</u>	<u>7,663,703</u>
	<u>\$ 5,799,392</u>	<u>\$ 8,699,107</u>

APPROVED BY THE BOARD:

"Pierre Lebel"

Director

"Andre Deepwell"

Director

ASIA GOLD CORP.
Consolidated Statement of Shareholders' Equity
(Unaudited)
(Stated in U.S. dollars)

	Share Capital		Contributed Surplus	Deficit	Total
	Number of Shares	Amount			
Balances, December 31, 2004	14,622,349	\$14,183,003	\$ 518,096	\$(7,037,396)	\$ 7,663,703
Stock compensation charged to operations	-	-	275,959	-	275,959
Net loss	-	-	-	(2,315,961)	(2,315,961)
Balances, June 30, 2005	14,622,349	\$14,183,003	\$ 794,055	\$(9,353,357)	\$ 5,623,701

ASIA GOLD CORP.
Consolidated Statements of Operations

(Unaudited)

(Stated in U.S. dollars)

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
EXPENSES				
Depreciation	\$ 5,322	\$ 4,653	\$ 11,779	\$ 5,573
Exploration, net of incidental revenues (Schedule)	1,007,519	962,072	1,492,287	980,001
Investor relations	5,108	11,898	7,040	26,526
Legal	22,927	10,476	33,967	39,258
Office and administration	92,501	119,241	186,656	199,545
Professional fees	6,959	10,024	11,916	21,094
Salaries and benefits	106,183	120,011	224,109	237,259
Stock-based compensation	87,446	62,213	275,959	136,087
Travel	24,059	46,648	61,059	82,030
	1,358,024	1,347,236	2,304,772	1,727,373
OTHER (INCOME)/EXPENSES				
Interest income	(32,677)	(85,250)	(68,779)	(109,206)
Foreign exchange loss	46,451	234,896	79,968	345,334
Other	-	-	-	17,418
Loss on disposal of subsidiary	-	49,274	-	49,274
	13,774	198,920	11,189	302,820
NET LOSS	\$ 1,371,798	\$ 1,546,156	\$ 2,315,961	\$ 2,030,193
BASIC AND DILUTED LOSS PER SHARE	\$ (0.09)	\$ (0.11)	\$ (0.16)	\$ (0.14)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	14,622,349	14,622,349	14,622,349	14,622,349

ASIA GOLD CORP.
Consolidated Statements of Cash Flows

(Unaudited)
(Stated in U.S. dollars)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
OPERATING ACTIVITIES				
Net loss	\$ (1,371,798)	\$ (1,546,156)	\$ (2,315,961)	\$ (2,030,193)
Items not requiring use of cash				
Depreciation	10,149	6,687	21,030	106,628
Stock-based compensation	87,446	62,213	275,959	136,087
Loss on disposal of subsidiary	-	49,274	-	49,274
Unrealized foreign exchange losses	16,113	119,921	45,802	235,094
Changes in non-cash working capital items (Note 5)	(287,198)	100,358	(1,123,900)	(272,598)
	(1,545,288)	(1,207,703)	(3,097,070)	(1,775,708)
INVESTING ACTIVITIES				
Plant and equipment	(5,099)	(75,160)	(29,490)	(82,787)
Proceeds from disposal of subsidiary (net of cash sold of \$384,258)	-	459,587	-	459,587
	(5,099)	384,427	(29,490)	376,800
DECREASE IN CASH	(1,550,387)	(823,276)	(3,126,560)	(1,398,908)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH	(8,665)	(104,502)	(44,781)	(230,286)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	6,609,893	10,732,755	8,222,182	11,434,171
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 5,050,841	\$ 9,804,977	\$ 5,050,841	\$ 9,804,977 ⁽¹⁾
CASH AND CASH EQUIVALENTS ARE COMPRISED OF:				
Cash in bank			\$ 5,050,841	\$ 2,245,900
Short-term deposits			-	7,559,077
			\$ 5,050,841	\$ 9,804,977

(1) Net of reclassification of cash of \$434,978 to assets held for disposal by sale.

ASIA GOLD CORP.
Notes to the Consolidated Financial Statements
(Unaudited)
(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 using 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, 2004.

Asia Gold Corp. and its subsidiaries are collectively referred to as the “Company”.

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

2. SHARE CAPITAL

(a) *Stock-based Compensation – Officers and Employees*

During the six months ended June 30, 2005, the Company granted 757,000 stock options to certain officers and employees at prices ranging from CDN \$0.70 to CDN \$0.86 with expiry dates ranging from March 21, 2010 to May 26, 2010. The weighted average fair value of the options issued was estimated at \$0.52 (CDN \$0.64) per option at the grant date using the Black-Scholes option pricing model. The weighted average assumptions used for the calculation were an expected life of five years, volatility of approximately 96%, a risk-free interest rate of 3.85% and expected dividends of \$Nil. A compensation cost of \$397,182 will be amortized over the vesting period; of which \$170,396 was recognized in the six-month period ended June 30, 2005.

(b) *Outstanding stock options and warrants*

As at June 30, 2005, there were 1,970,000 stock options outstanding with exercise prices and expiry dates ranging from CDN \$0.70 to CDN \$3.00 and November 28, 2008 to May 26, 2010, respectively.

As at June 30, 2005, there were 833,333 warrants outstanding, held by the Company’s parent, Ivanhoe Mines Ltd., with an exercise price of CDN \$1.32. These warrants expired unexercised on July 31, 2005.

ASIA GOLD CORP.
Notes to the Consolidated Financial Statements
(Unaudited)
(Stated in U.S. dollars)

2. SHARE CAPITAL (Continued)

(b) *Outstanding stock options and warrants (Continued)*

As at June 30, 2005, there were 500,000 other warrants outstanding, with an exercise price of CDN\$3.00 and an expiry date of December 11, 2005.

3. RELATED PARTY TRANSACTIONS

(a) The Company incurred the following expenses, on a cost recovery basis, with its parent company and a company related by officers or directors in common:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2005	2004	2005	2004
Office and administrative	\$ 52,545	\$ 55,277	\$ 111,328	\$ 105,050
Salaries and benefits	95,439	118,381	213,756	227,364
Exploration	-	206,641	-	345,781
	\$ 147,984	\$ 380,299	\$ 325,084	\$ 678,195

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

	June 30,	December 31,
	2005	2004
Amounts due for administration to Global Mining Management, a company related by way of directors and officers in common	\$ 51,265	\$ 77,570
Amount due to Ivanhoe Mines Ltd.	-	523,388

ASIA GOLD CORP.
Notes to the Consolidated Financial Statements
(Unaudited)
(Stated in U.S. dollars)

4. SEGMENT DISCLOSURES

- (a) The Company currently operates in one industry segment.
- (b) Mineral properties at the end of the period:

	<u>June 30, 2005</u>	<u>December 31, 2004</u>
Mongolia	\$ 158,384	\$ 158,384

- (c) Plant and equipment at the end of the period:

	<u>June 30, 2005</u>	<u>December 31, 2004</u>
Mongolia	\$ 105,988	\$ 88,170
Canada	17,000	26,358
	<u>\$ 122,988</u>	<u>\$ 114,528</u>

5. SUPPLEMENTAL CASH FLOW INFORMATION

Net change in non-cash working capital items:

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Net (increase) decrease in:				
Accounts receivable	\$ (14,476)	\$ (29,394)	\$ 51,705	\$ (36,193)
Prepaid expenses	(257,377)	(14,270)	(316,073)	(179,843)
Net (decrease) increase in:				
Accounts payable and accrued liabilities	(15,345)	144,022	(859,532)	(56,562)
	<u>\$ (287,198)</u>	<u>\$ 100,358</u>	<u>\$ (1,123,900)</u>	<u>\$ (272,598)</u>

ASIA GOLD CORP.
Notes to the Consolidated Financial Statements
(Unaudited)
(Stated in U.S. dollars)

6. SUBSEQUENT EVENTS

- (a) On July 5, 2005, the Company entered into an option agreement with BHP Billiton World Exploration Inc. (BHP Billiton) on a 3,629 square kilometre area (the West Falcon Gobi Area) of the Company's West Gobi Property in Mongolia. Under the terms of the agreement, BHP Billiton has been granted a first option to earn a 50% interest in the West Falcon Gobi Area by spending \$2 million on exploration prior to December 31, 2007. BHP Billiton also has a second option, to earn an additional 20% interest (for a total interest of 70%) by funding a feasibility study on one exploration target up to a maximum amount of \$45 million.

BHP Billiton also purchased 1,153,998 units of the Company valued at \$1 million. Each unit consists of one common share and a two-year warrant to purchase one half a common share of Asia Gold Corp. at CDN \$1.395 per share.

- (b) On August 19, 2005, the Company entered into a letter of intent with Solomon Resources Limited (Solomon) on four properties which comprise an area of 31,258 hectares in the Gobi region of Southern Mongolia. Under the terms of this agreement, the Company has been granted an option to earn up to a 70% interest in these properties in two stages. The closing of a definitive option agreement is subject to due diligence by the Company and approval by the TSX Venture Exchange. Upon signing the definitive option agreement, the Company has agreed to pay Solomon \$50,000 and issue to Solomon 100,000 common shares of the Company.

To exercise stage 1, the Company must pay Solomon \$325,000, issue to Solomon common shares of the Company valued at \$600,000 and fund and carry out an exploration program of \$1.8 million within a three-year period from the date of the definitive agreement. To exercise stage 2, the Company must fund and carry out a \$2.5 million exploration program on each of the projects it intends to retain within a five-year period of the definitive agreement.

The Company can earn an additional 10% interest in each of the properties should certain parties convert their underlying 20% property interest into a net smelter royalty.

ASIA GOLD CORP.
Consolidated Schedule of Exploration Expenses

(Unaudited)

(Stated in U.S. dollars)

	Three months ended June 30,			
	2005			2004
	Mongolia	Other		Mongolia
		Countries	Total	
Assaying	\$ 65,418	\$ 593	\$ 66,011	\$ 65,007
Camp costs	53,031	-	53,031	74,012
Consulting - geophysics	33,826	-	33,826	46,115
Consulting - geological	149,992	28,103	178,095	34,670
Depreciation	4,827	-	4,827	2,034
Drilling	274	-	274	223,678
License fees	248,220	4,641	252,861	238,569
Fuel	3,771	-	3,771	155
Legal	19,506	12,096	31,602	800
Maps, photos and reproductions	790	482	1,272	40,327
Office	92,136	140	92,276	85,851
Rental, lease and charter costs	64,283	7,959	72,242	17,404
Salaries	122,044	8,626	130,670	58,061
Supplies	222	-	222	593
Travel	51,998	34,541	86,539	74,796
	\$ 910,338	\$ 97,181	\$ 1,007,519	\$ 962,072

	Six months ended June 30,					
	2005			2004		
	Mongolia	Other		Mongolia	South	Total
		Countries	Total		Korea	
Assaying	\$ 67,997	\$ 883	\$ 68,880	\$ 71,149	\$ -	\$ 71,149
Camp costs	70,332	290	70,622	102,281	24,096	126,377
Consulting - geophysics	58,299	-	58,299	46,115	-	46,115
Consulting - geological	209,454	74,001	283,455	50,551	544,747	595,298
Depreciation	9,251	-	9,251	3,198	97,857	101,055
Drilling	17,425	-	17,425	227,062	-	227,062
License fees	296,721	5,111	301,832	246,123	59,526	305,649
Fuel	4,696	-	4,696	1,269	19,959	21,228
Legal	20,786	51,196	71,982	800	872	1,672
Maps, photos and reproductions	1,265	535	1,800	42,548	185	42,733
Office	145,039	930	145,969	106,768	49,681	156,449
Rental, lease and charter costs	75,077	44,163	119,240	20,383	2,599	22,982
Salaries	183,253	12,446	195,699	172,323	347,252	519,575
Supplies	222	-	222	717	3,358	4,075
Travel	93,704	49,211	142,915	91,082	11,876	102,958
	1,253,521	238,766	1,492,287	1,182,369	1,162,008	2,344,377
Incidental revenues from the sale of gold-silver	-	-	-	-	(1,364,376)	(1,364,376)
	\$ 1,253,521	\$ 238,766	\$ 1,492,287	\$ 1,182,369	\$ (202,368)	\$ 980,001

ASIA GOLD CORP.
Schedule B – Supplementary Information
June 30, 2005
(Stated in U.S. dollars)

1. Securities Issued

For the six months ended June 30, 2005, there were no common shares issued.

For the six months ended June 30, 2005, the following share purchase options were granted:

Date	Number	Optionee	Price Cdn\$	Expiry Date
3/21/2005	45,000	Pierre Lebel, Director	\$ 0.86	3/21/2010
3/21/2005	45,000	Andre Deepwell, Director	\$ 0.86	3/21/2010
3/21/2005	40,000	Ed Flood, Director	\$ 0.86	3/21/2010
3/21/2005	40,000	Peter Meredith, Director	\$ 0.86	3/21/2010
3/21/2005	40,000	Doug Kirwin, Director	\$ 0.86	3/21/2010
3/21/2005	200,000	David Owens, President & Director	\$ 0.86	3/21/2010
3/21/2005	10,000	Beverly Bartlett, Secretary	\$ 0.86	3/21/2010
3/21/2005	10,000	Greg Shenton, CFO	\$ 0.86	3/21/2010
3/21/2005	150,000	Richard Gosse, V.P.Exploration	\$ 0.86	3/21/2010
3/21/2005	157,000	Employees	\$ 0.86	3/21/2010
5/26/2005	20,000	Employee	\$ 0.70	5/26/2010

2. Securities Outstanding

As at June 30, 2005, 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 1,970,000 share purchase options outstanding with exercise prices and expiry dates ranging from Cdn. \$0.70 to Cdn.\$3.00 and November 28, 2008 to May 26, 2010.
- (d) There are 833,333 warrants outstanding exercisable into 833,333 common shares at an exercise price of Cdn. \$1.32 per share. These warrants expired unexercised on July 31, 2005
- (e) There are 500,000 warrants outstanding exercisable into 500,000 common shares at an exercise price of Cdn. \$3.00 which expire on December 11, 2005.
- (f) There are currently an aggregate of 3,759,270 common shares 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

Allison Snetsinger, Assistant Secretary