



CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2006

(Stated in U.S. Dollars)

(Prepared by Management Without Audit)

ASIA GOLD CORP.

Consolidated Balance Sheets

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

	<u>March 31,</u> <u>2006</u>	<u>December 31,</u> <u>2005</u>
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 1,849,037	\$ 3,125,000
Accounts receivable	211,944	123,370
Prepaid expenses	375,399	137,429
	<u>2,436,380</u>	<u>3,385,799</u>
MINERAL PROPERTIES (Note 2)	260,726	260,726
PLANT AND EQUIPMENT	130,825	128,428
	<u>\$ 2,827,931</u>	<u>\$ 3,774,953</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 648,430	\$ 692,699
SHAREHOLDERS' EQUITY		
Share capital		
Authorized		
Unlimited common shares without par value		
Issued and outstanding		
15,895,580 (2005 -15,895,580) common shares	15,287,221	15,287,221
Contributed surplus (Note 2)	1,140,460	1,046,386
Deficit	(14,248,180)	(13,251,353)
	<u>2,179,501</u>	<u>3,082,254</u>
	<u>\$ 2,827,931</u>	<u>\$ 3,774,953</u>

APPROVED BY THE BOARD:

"Andre Deepwell"

Director

"Pierre Lebel"

Director

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

ASIA GOLD CORP.
Consolidated Statements of Operations

Three Months Ended March 31, 2006 And 2005

(Unaudited)

(Stated in U.S. dollars)

	<u>2006</u>	<u>2005</u>
EXPENSES		
Depreciation	\$ 4,109	\$ 6,457
Exploration (Schedule)	487,542	484,768
Investor relations	11,324	1,932
Legal	19,823	11,040
Office and administration	127,287	94,155
Professional fees	8,591	4,957
Salaries and benefits	176,823	117,926
Stock-based compensation	94,074	188,513
Travel	59,998	37,000
	<u>989,571</u>	<u>946,748</u>
OTHER (INCOME)/EXPENSES		
Interest income	(14,957)	(36,102)
Foreign exchange	22,213	33,518
	<u>7,256</u>	<u>(2,584)</u>
NET LOSS	\$ 996,827	944,164
BASIC AND DILUTED LOSS PER SHARE	\$ (0.06)	\$ (0.06)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	15,895,580	14,622,349

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

ASIA GOLD CORP.
Consolidated Statements of Shareholders' Equity

(Unaudited)

(Stated in U.S. dollars)

	Share Capital		Contributed Surplus	Deficit	Total
	Number of Shares	Amount			
Balances, December 31, 2005	15,895,580	\$ 15,287,221	\$ 1,046,386	\$ (13,251,353)	\$ 3,082,254
Stock-based compensation charged to operations	-	-	94,074	-	94,074
Net loss	-	-	-	(996,827)	(996,827)
Balances, March 31, 2006	15,895,580	\$ 15,287,221	\$ 1,140,460	\$ (14,248,180)	\$ 2,179,501

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

ASIA GOLD CORP.
Consolidated Statements of Cash Flows

Three Months Ended March 31, 2006 And 2005

(Unaudited)

(Stated in U.S. dollars)

	<u>2006</u>	<u>2005</u>
OPERATING ACTIVITIES		
Net loss	\$ (996,827)	\$ (944,164)
Items not requiring use of cash		
Depreciation	9,004	10,881
Stock-based compensation	94,074	188,513
Unrealized foreign exchange gain	405	29,689
Changes in non-cash working capital items (Note 6)	(376,185)	(836,701)
	<u>(1,269,529)</u>	<u>(1,551,782)</u>
INVESTING ACTIVITIES		
Expenditures on plant and equipment	(11,401)	(24,391)
EFFECT OF FOREIGN EXCHANGE RATE		
CHANGES ON CASH	4,967	(36,116)
DECREASE IN CASH AND CASH EQUIVALENTS	(1,275,963)	(1,612,289)
CASH AND CASH EQUIVALENTS,		
 BEGINNING OF PERIOD	3,125,000	8,222,182
CASH AND CASH EQUIVALENTS,		
 END OF PERIOD	\$ 1,849,037	\$ 6,609,893
CASH AND CASH EQUIVALENTS ARE COMPRISED OF:		
Cash in bank	\$ 1,849,037	\$ 3,954,787
Short-term deposits	-	2,655,106
	<u>\$ 1,849,037</u>	<u>\$ 6,609,893</u>

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

ASIA GOLD CORP.

Notes to the Consolidated Financial Statements

March 31, 2006

(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 application 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, 2005.

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

2. MINERAL PROPERTIES

On February 13, 2006, the Company entered an agreement with Gobi Gold Inc. (‘Gobi’) whereby the Company has granted Gobi the right to earn up to an 80% interest in seven mineral licenses covering 21,010 hectares in the Gobi region of Mongolia. The option to earn an 80% interest in these properties can be exercised in two stages. To earn an initial 55% interest, Gobi must make a payment of \$20,000 (of which \$5,000 has been received) to the Company; issue to the Company common shares of Gobi valued at \$190,000 in four tranches over three years and incur \$360,000 in exploration expenditures

3. SHARE CAPITAL

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

During the three months ended March 31, 2006, the Company granted 100,000 stock options to certain officers and employees at prices ranging from CDN \$1.16 to CDN \$1.26 with expiry dates ranging from January 5, 2011 to February 9, 2011. The weighted average fair value of the options issued was estimated at \$0.75 (CDN \$0.88) 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 93%, risk-free interest rates ranging from 3.95% to 4.73% and expected dividends of \$Nil. A compensation cost of \$76,002 will be amortized over the vesting period; of which \$32,220 was recognized in the three-month period ended March 31, 2006.

ASIA GOLD CORP.

Notes to the Consolidated Financial Statements

March 31, 2006

(Unaudited)

(Stated in U.S. Dollars)

3. SHARE CAPITAL (Continued)

(b) *Outstanding stock options and warrants*

As at March 31, 2006, there were 2,299,000 stock options outstanding with exercise prices and expiry dates ranging from CDN \$0.70 to CDN \$3.00 and November 28, 2008 to February 9, 2011, respectively.

As at March 31, 2006, there were 1,153,998 warrants outstanding exercisable into 576,999 common shares at an exercise price of CDN\$1.395 per share and an expiry date of July 28, 2007.

4. RELATED PARTY TRANSACTIONS

- (a) The Company incurred the following expenses, on a cost recovery basis, with Ivanhoe Mines Ltd. ('Ivanhoe'), a company which owns approximately 47% of the outstanding common shares of the Company (Note 7) and which has directors in common, and with a company related by officers or directors in common:

	Three months ended March 31,	
	2006	2005
Exploration expenses	\$ 40,000	\$ -
Office and administrative expenses	78,548	58,783
Salaries and benefits expenses	168,062	118,317
	\$ 286,610	\$ 177,100

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

	March 31,	December 31,
	2006	2005
Amounts due for administration to Global Mining Management, a company related by way of directors and officers in common	\$ 84,242	\$ 70,728
Amount due to Ivanhoe	380,736	379,424

ASIA GOLD CORP.

Notes to the Consolidated Financial Statements

March 31, 2006

(Unaudited)

(Stated in U.S. Dollars)

5. SEGMENT DISCLOSURES

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

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

	<u>March 31, 2006</u>	<u>December 31, 2005</u>
Mongolia	\$ 260,726	\$ 260,726

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

	<u>March 31, 2006</u>	<u>December 31, 2005</u>
Mongolia	\$ 94,078	\$ 98,842
Canada	26,017	19,192
Bulgaria	10,730	10,394
	<u>\$ 130,825</u>	<u>\$ 128,428</u>

6. SUPPLEMENTAL CASH FLOW INFORMATION

Net change in non-cash working capital items:

	<u>Three Months ended March 31,</u>	
	<u>2006</u>	<u>2005</u>
Net (increase) decrease in:		
Accounts receivable	\$ (88,180)	\$ 66,181
Prepaid expenses	(237,665)	(58,696)
Net (decrease) in:		
Accounts payable and accrued liabilities	(50,340)	(844,186)
	<u>\$ (376,185)</u>	<u>\$ (836,701)</u>

ASIA GOLD CORP.

Notes to the Consolidated Financial Statements

March 31, 2006

(Unaudited)

(Stated in U.S. Dollars)

7. SUBSEQUENT EVENT

Subsequent to March 31, 2006, the Company and Ivanhoe reached an agreement in principle for the Company to acquire Ivanhoe's Coal Division in exchange for 82,576,383 common shares of the Company. The proposed transaction would result in the Company becoming a majority-owned, publicly-traded subsidiary of Ivanhoe, operating a coal division and a mineral exploration division.

This transaction would result in Ivanhoe owning approximately 91.4% of the issued and outstanding common shares of the Company and 88.8% on a fully diluted basis. As part of the transaction, Ivanhoe has agreed to extend an interim working line of credit to the Company of up to US\$10 million.

This transaction is subject to the signing of a definitive agreement, approval from the TSX Venture Exchange and fulfillment of all other applicable regulatory and stock exchange requirements. The transaction will constitute a "Related Party Transaction" and, as such, the Company's participation in the transaction will be subject to the prior approval of its minority shareholders at a special meeting to be convened for that purpose.

ASIA GOLD CORP.
Consolidated Schedule of Exploration Expenses
(Unaudited)
(Stated in U.S. dollars)

	Three months ended March 31, 2006			
	Mongolia	Bulgaria	Other	Total
Assaying	\$ 6,694	\$ 27,814	\$ -	\$ 34,508
Camp costs	31,075	6,589	-	37,664
Consulting - geological	61,042	35,320	6,689	103,051
Depreciation	4,895	-	-	4,895
Drilling	5,216	1,544	-	6,760
License fees	9,855	1,190	-	11,045
Fuel	3,863	-	-	3,863
Legal	2,100	3,745	581	6,426
Maps, photos and reproductions	175	242	29	446
Office	54,462	22,223	446	77,131
Rental, lease and charter costs	10,266	10,149	-	20,415
Salaries	91,325	34,372	410	126,107
Supplies	700	-	-	700
Travel	32,738	24,631	7,607	64,976
Recovery of exploration expenses	(4,319)	(6,126)	-	(10,445)
	\$ 310,087	\$ 161,693	\$ 15,762	\$ 487,542

	Three months ended March 31, 2005		
	Mongolia	Other	Total
Assaying	\$ 2,579	\$ 290	\$ 2,869
Camp costs	17,302	881	18,182
Consulting - geophysics	24,473	-	24,473
Consulting - geological	59,463	45,898	105,361
Depreciation	4,424	-	4,424
Drilling	17,150	-	17,150
License fees	48,501	471	48,972
Fuel	924	-	924
Legal	1,280	39,100	40,380
Maps, photos and reproductions	476	53	529
Office	52,901	200	53,100
Rental, lease and charter costs	10,794	36,204	46,998
Salaries	61,209	3,819	65,028
Travel	41,707	14,669	56,376
	\$ 343,183	\$ 141,585	\$ 484,768