



CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2006

(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>2006</u>	<u>December 31,</u> <u>2005</u>
ASSETS		
CURRENT		
Cash	\$ 1,960,957	\$ 3,125,000
Accounts receivable	127,458	123,370
Prepaid expenses	587,117	137,429
	<u>2,675,532</u>	<u>3,385,799</u>
MINERAL PROPERTIES	260,726	260,726
PLANT AND EQUIPMENT	181,172	128,428
	<u>\$ 3,117,430</u>	<u>\$ 3,774,953</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 1,262,973	\$ 692,699
Amounts due under line of credit facility (Note 2)	2,022,179	-
	<u>3,285,152</u>	<u>692,699</u>
SHAREHOLDERS' EQUITY (DEFICIENCY)		
Share capital		
Authorized		
Unlimited common shares without par value		
Issued and outstanding		
16,533,812 (2005 -15,895,580) common shares	16,099,530	15,287,221
Contributed surplus	1,615,390	1,046,386
Deficit	(17,882,642)	(13,251,353)
	<u>(167,722)</u>	<u>3,082,254</u>
	<u>\$ 3,117,430</u>	<u>\$ 3,774,953</u>

CONTINUING OPERATIONS (Note 1)

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

APPROVED BY THE BOARD:

"Andre Deepwell"

Director

"Pierre Lebel"

Director

ASIA GOLD CORP.
Consolidated Statements of Operations
(Unaudited)
(Stated in U.S. dollars)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2006	2005	2006	2005
EXPENSES				
Depreciation	\$ 5,159	\$ 5,322	\$ 9,268	\$ 11,779
Exploration (Schedule)	2,580,344	1,007,519	3,067,885	1,492,287
Investor relations	22,730	5,108	34,053	7,040
Legal	12,661	22,927	32,484	33,967
Office and administration	158,672	92,501	285,960	186,656
Professional fees	23,337	6,959	31,928	11,916
Salaries and benefits	165,041	106,183	341,865	224,109
Stock-based compensation	512,308	87,446	606,382	275,959
Travel	53,692	24,059	113,690	61,059
	3,533,944	1,358,024	4,523,515	2,304,772
OTHER (INCOME)/EXPENSES				
Coal transaction costs (Note 7)	104,000	-	104,000	-
Interest income	(16,328)	(32,677)	(31,285)	(68,779)
Interest expense (Note 2)	22,179	-	22,179	-
Foreign exchange (gain) loss	(9,332)	46,451	12,881	79,968
	100,519	13,774	107,775	11,189
NET LOSS	\$ 3,634,463	\$ 1,371,798	\$ 4,631,290	2,315,961
BASIC AND DILUTED LOSS PER SHARE	\$ (0.23)	\$ (0.09)	\$ (0.29)	\$ (0.16)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	15,934,918	14,622,349	15,915,358	14,622,349

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

ASIA GOLD CORP.
Consolidated Statements of Shareholders' Equity (Deficiency)

(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
Shares issued for:					
Exercise of warrants	576,999	715,797	-	-	715,797
Exercise of stock options	61,233	96,512	(37,378)	-	59,134
Stock-based compensation charged to operations	-	-	606,382	-	606,382
Net loss	-	-	-	(4,631,290)	(4,631,290)
Balances, June 30, 2006	16,533,812	\$ 16,099,530	\$ 1,615,390	\$ (17,882,642)	\$ (167,722)

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

ASIA GOLD CORP.
Consolidated Statements of Cash Flows
(Unaudited)
(Stated in U.S. dollars)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2006	2005	2006	2005
OPERATING ACTIVITIES				
Net loss	\$ (3,634,463)	\$ (1,371,798)	\$ (4,631,290)	\$ (2,315,961)
Items not requiring use of cash		-		
Depreciation	10,678	10,149	19,682	21,030
Stock-based compensation	512,308	87,446	606,382	275,959
Accrued interest expense	22,179	-	22,179	-
Unrealized foreign exchange loss	13,717	16,113	14,122	45,802
Changes in non-cash working capital items (Note 6)	478,524	(287,198)	102,340	(1,123,900)
	(2,597,057)	(1,545,288)	(3,866,586)	(3,097,070)
INVESTING ACTIVITY				
Expenditures on plant and equipment	(61,025)	(5,099)	(72,426)	(29,490)
FINANCING ACTIVITIES				
Share capital issued	774,931	-	774,931	-
Increase in line of credit facility	2,000,000	-	2,000,000	-
	2,774,931	-	2,774,931	-
EFFECT OF FOREIGN EXCHANGE RATE				
CHANGES ON CASH	(4,929)	(8,665)	38	(44,781)
INCREASE (DECREASE) IN CASH	111,920	(1,559,052)	(1,164,043)	(3,171,341)
CASH AT BEGINNING OF PERIOD	1,849,037	6,609,893	3,125,000	8,222,182
CASH AT END OF PERIOD	\$ 1,960,957	\$ 5,050,841	\$ 1,960,957	\$ 5,050,841

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

ASIA GOLD CORP.

Notes to the Consolidated Financial Statements

June 30, 2006

(Unaudited)

(Stated in U.S. Dollars)

1. BASIS OF PRESENTATION AND GOING CONCERN

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".

The Company is a development stage entity that has not achieved production on any of its mineral properties and, accordingly, does not have any revenues. The Company's ability to continue as a going concern, with negative working capital and a capital deficiency, is dependant upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing and permitting to develop properties and to establish future profitable production. The Company does not have sufficient cash to fund the exploration and development of its mineral properties to commercial production and, therefore, will require additional funding, which if not raised may result in the curtailment of operations. Management is of the opinion that additional financing is available to continue its planned activities in the normal course. To date, additional financing has been provided by Ivanhoe Mines Ltd. There can, however, be no assurance the Company will be able to raise sufficient funds in the future.

2. AMOUNTS DUE UNDER LINE OF CREDIT FACILITY

On April 25, 2006, in conjunction with the coal transaction (Note 7), the Company entered into a line of credit facility with Ivanhoe Mines Ltd ("Ivanhoe or IVN") whereby IVN has agreed to make available to the Company an unsecured line of credit of up to \$10 million. Under certain circumstances IVN may increase the amount to a maximum of \$15 million. Coal expenditures from April 25, 2006 to closing will be deemed as additional advances under the line of credit facility above the designated credit limit. All amounts outstanding under the line of credit bear interest at three month LIBOR plus two percent. All advances pursuant to the line of credit will mature and be repayable in full on April 25, 2008. IVN has the ability to accelerate the Company's obligation to repay all advances pursuant to the line of credit and all accrued and unpaid interest thereon in the event of a default by the Company. The Company has the right to prepay the outstanding advances and accrued and unpaid interest, in whole or in part, at any time without penalty. If the Company completes an equity financing in excess of \$20 million then all amounts under the line of credit would be repayable in full from the proceeds of the financing.

Subject to regulatory and shareholder approval, the Company's indebtedness to Ivanhoe under the working line of credit can be converted, in whole or in part, into common shares of the Company at the election of either the Company or Ivanhoe.

ASIA GOLD CORP.

Notes to the Consolidated Financial Statements

June 30, 2006

(Unaudited)

(Stated in U.S. Dollars)

3. SHARE CAPITAL

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

During the six months ended June 30, 2006 the Company granted 985,000 stock options to certain officers and employees at prices ranging from CDN \$1.16 to CDN \$2.10 with expiry dates ranging from January 5, 2011 to June 19, 2011. The weighted average fair value of the options issued was estimated at \$1.38 (CDN \$1.55) 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 102%, risk-free average interest rate of 4.28% and expected dividends of \$Nil. A compensation cost of \$1,359,381 will be amortized over the vesting period; of which \$606,382 was recognized in the six-month period ended June 30, 2006.

(b) *Outstanding stock options and warrants*

As at June 30, 2006, there were 3,116,100 stock options outstanding with exercise prices and expiry dates ranging from CDN \$0.70 to CDN \$3.00 and November 28, 2008 to June 19, 2011, respectively.

Effective June 26, 2006 1,153,998 outstanding warrants were exercised into 576,999 common shares for total proceeds of \$715,797 (CDN \$804,914).

4. RELATED PARTY TRANSACTIONS

- (a) The Company incurred the following expenses, on a cost recovery basis with 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		Six Months Ended	
	June 30,		June 30,	
	2006	2005	2006	2005
Office and administrative	\$ 85,249	\$ 52,545	\$ 163,797	\$ 111,328
Salaries and benefits	155,958	95,439	324,020	213,756
Exploration	-	-	40,000	-
Interest	22,179	-	22,179	-
	<u>\$ 263,386</u>	<u>\$ 147,984</u>	<u>\$ 549,996</u>	<u>\$ 325,084</u>

ASIA GOLD CORP.

Notes to the Consolidated Financial Statements

June 30, 2006

(Unaudited)

(Stated in U.S. Dollars)

4. RELATED PARTY TRANSACTIONS (continued)

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

	<u>June 30,</u> <u>2006</u>	<u>December 31,</u> <u>2005</u>
Amounts due for administration to Global Mining Management, a company related by way of directors and officers in common	\$ 91,805	\$ 70,728
Trade payable to Ivanhoe Mines Ltd.	575,804	379,424

5. SEGMENT DISCLOSURES

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

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

	<u>June 30</u> <u>2006</u>	<u>December 31,</u> <u>2005</u>
Mongolia	\$ 260,726	\$ 260,726

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

	<u>June 30</u> <u>2006</u>	<u>December 31,</u> <u>2005</u>
Mongolia	\$ 114,229	\$ 98,842
Canada	27,546	19,192
Indonesia	27,247	-
Bulgaria	12,150	10,394
	<u>\$ 181,172</u>	<u>\$ 128,428</u>

ASIA GOLD CORP.

Notes to the Consolidated Financial Statements

June 30, 2006

(Unaudited)

(Stated in U.S. Dollars)

6. SUPPLEMENTAL CASH FLOW INFORMATION

Net change in non-cash working capital items:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2006	2005	2006	2005
Net decrease (increase) in:				
Accounts receivable	\$ 72,500	\$ (14,476)	\$ (15,680)	\$ 51,705
Prepaid expenses	(216,796)	(257,377)	(454,461)	(316,073)
Net increase (decrease) in:				
Accounts payable and accrued liabilities	622,820	(15,345)	572,481	(859,532)
	<u>\$ 478,524</u>	<u>\$ (287,198)</u>	<u>\$ 102,340</u>	<u>\$(1,123,900)</u>

7. SUBSEQUENT EVENT

In July 2006, the Company and IVN signed a definitive agreement whereby the Company will acquire Ivanhoe's coal division ("coal transaction") in exchange for 82,576,383 common and preferred shares of the Company.

This transaction would result in Ivanhoe owning approximately 91.4% of the issued and outstanding shares of the Company and 88.8% on a fully diluted basis. As part of the transaction, Ivanhoe has agreed to extend a line of credit to the Company of \$10 million. IVN in its sole discretion can increase the aggregate maximum amount to US\$15 million.

On August 8, 2006 the acquisition of the IVN coal division and the conversion rights under the line of credit facility were approved by the majority of the minority shareholders at a special meeting of the shareholders. The closing of the coal transaction is subject to final regulatory authorities approval and the fulfillment of certain conditions precedent, including the completion of the transfer of certain mineral exploration licenses in Mongolia, applications for which have been submitted to the relevant Mongolian governmental authorities and are pending approval.

Ivanhoe has agreed to fund the expenditures necessary to continue the exploration and development of Ivanhoe's Coal Division projects pending the completion of the reorganization. If the coal reorganization is completed, all expenditures from April 25, 2006 to closing will be treated as advances and will be added to the outstanding balance under the line of credit facility (Note 2). If the coal reorganization is not completed, these expenditures will remain solely for the account of IVN.

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

	Three months ended June 30, 2006				
	Mongolia	Bulgaria	Indonesia	Other	Total
Assaying	\$ 156,900	\$ 4,901	\$ -	\$ -	\$ 161,801
Camp costs	139,912	7,923	25,660	-	173,495
Consulting - geophysics	153,430	-	38,463	-	191,893
Consulting - geological	205,716	32,492	69,105	1,555	308,868
Depreciation	5,519	-	-	-	5,519
Drilling	461,922	88,076	3,025	-	553,023
License fees	495,443	13,364	10,130	26	518,963
Fuel	4,184	-	3,020	-	7,204
Legal	9,921	1,647	7,465	1,165	20,198
Maps, photos and reproductions	204	19	586	-	809
Office	144,816	15,989	48,319	607	209,731
Rental, lease and charter costs	50,156	11,852	2,112	-	64,120
Salaries	134,356	75,718	63,421	-	273,495
Supplies	2,426	121	1,141	-	3,688
Travel	45,054	18,426	35,225	2,031	100,736
Option and expense recovery	(13,199)	-	-	-	(13,199)
	\$ 1,996,760	\$ 270,528	\$ 307,672	\$ 5,384	\$ 2,580,344

	Three months ended June 30, 2005		
	Mongolia	Other	Total
Assaying	\$ 65,418	\$ 593	\$ 66,011
Camp costs	53,030	-	53,030
Consulting - geophysics	33,826	-	33,826
Consulting - geological	149,991	28,103	178,094
Depreciation	4,827	-	4,827
Drilling	275	-	275
License fees	248,220	4,640	252,860
Fuel	3,772	-	3,772
Legal	19,506	12,096	31,602
Maps, photos and reproductions	789	482	1,271
Office	92,138	139	92,277
Rental, lease and charter costs	64,283	7,959	72,242
Salaries	122,044	8,627	130,671
Supplies	222	-	222
Travel	51,997	34,542	86,539
	\$ 910,338	\$ 97,181	\$ 1,007,519

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

	Six months ended June 30, 2006				
	Mongolia	Bulgaria	Indonesia	Other	Total
Assaying	\$ 163,594	\$ 32,715	\$ -	\$ -	\$ 196,309
Camp costs	170,987	14,512	25,660	-	211,159
Consulting - geophysics	153,430	-	38,463	-	191,893
Consulting - geological	266,758	67,812	74,195	3,154	411,919
Depreciation	10,414	-	-	-	10,414
Drilling	467,138	89,620	3,025	-	559,783
License fees	505,298	14,554	10,130	26	530,008
Fuel	8,047	-	3,020	-	11,067
Legal	12,021	5,392	7,465	1,746	26,624
Maps, photos and reproductions	379	261	586	28	1,254
Office	199,278	38,212	48,319	1,053	286,862
Rental, lease and charter costs	60,422	22,001	2,112	-	84,535
Salaries	225,681	110,090	63,421	410	399,602
Supplies	3,126	121	1,141	-	4,388
Travel	77,792	43,057	38,963	5,900	165,712
Option and expense recovery	(17,518)	(6,126)	-	-	(23,644)
	\$ 2,306,847	\$ 432,221	\$ 316,500	\$ 12,317	\$ 3,067,885

	Six months ended June 30, 2005		
	Mongolia	Other	Total
Assaying	\$ 67,997	\$ 883	68,880
Camp costs	70,332	290	70,622
Consulting - geophysics	58,299	-	58,299
Consulting - geological	209,454	74,001	283,455
Depreciation	9,251	-	9,251
Drilling	17,425	-	17,425
License fees	296,721	5,111	301,832
Fuel	4,696	-	4,696
Legal	20,786	51,196	71,982
Maps, photos and reproductions	1,265	535	1,800
Office	145,039	930	145,969
Rental, lease and charter costs	75,077	44,163	119,240
Salaries	183,253	12,446	195,699
Supplies	222	-	222
Travel	93,704	49,211	142,915
	\$ 1,253,521	\$ 238,766	\$ 1,492,287