



CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2006

(Stated in U.S. Dollars)

(Prepared by Management Without Audit)

ASIA GOLD CORP.
Consolidated Balance Sheets

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

	September 30, 2006	December 31, 2005
ASSETS		
CURRENT		
Cash	\$ 1,133,518	\$ 3,125,000
Accounts receivable	262,919	123,370
Prepaid expenses	375,230	137,429
	1,771,667	3,385,799
MINERAL PROPERTIES	335,726	260,726
PLANT AND EQUIPMENT	191,592	128,428
	\$ 2,298,985	\$ 3,774,953
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 827,528	\$ 692,699
AMOUNT DUE UNDER LINE OF CREDIT FACILITY (Note 3)	4,085,824	-
	4,913,352	692,699
SHAREHOLDERS' EQUITY (DEFICIENCY)		
Share capital		
Authorized		
Unlimited common shares without par value		
Issued and outstanding		
16,622,144 (2005 -15,895,580) common shares	16,225,000	15,287,221
Contributed surplus	1,731,835	1,046,386
Deficit	(20,571,202)	(13,251,353)
	(2,614,367)	3,082,254
	\$ 2,298,985	\$ 3,774,953

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		Nine Months Ended	
	September 30,		September 30,	
	2006	2005	2006	2005
EXPENSES				
Depreciation	\$ 5,085	\$ 2,592	\$ 14,353	\$ 14,371
Exploration (Schedule)	1,864,930	1,456,764	4,932,815	2,949,051
Investor relations	28,368	7,699	62,421	14,738
Legal	10,963	15,625	43,447	49,592
Office and administration	169,981	108,319	455,941	294,976
Professional fees	10,260	24,255	42,188	36,171
Salaries and benefits	199,251	122,395	541,116	346,504
Stock-based compensation	166,043	149,413	772,425	425,372
Travel	56,630	19,155	170,320	80,214
	2,511,511	1,906,217	7,035,026	4,210,989
OTHER EXPENSES/(INCOME)				
Coal transaction costs (Note 2)	113,781	-	217,781	-
Interest income	(8,374)	(29,834)	(39,659)	(98,613)
Interest expense (Note 3)	63,645	-	85,824	-
Foreign exchange loss (gain)	7,996	(151,915)	20,877	(71,947)
	177,048	(181,749)	284,823	(170,560)
NET LOSS	\$ 2,688,559	\$ 1,724,468	\$ 7,319,849	4,040,429
BASIC AND DILUTED LOSS PER SHARE	\$ (0.16)	\$ (0.11)	\$ (0.44)	\$ (0.27)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	16,572,528	15,412,586	16,546,859	14,888,656

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	149,565	221,982	(86,976)	-	135,006
Stock-based compensation charged to operations	-	-	772,425	-	772,425
Net loss	-	-	-	(7,319,849)	(7,319,849)
Balances, September 30, 2006	16,622,144	\$ 16,225,000	\$ 1,731,835	\$ (20,571,202)	\$ (2,614,367)

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		Nine Months Ended	
	September 30,		September 30,	
	2006	2005	2006	2005
OPERATING ACTIVITIES				
Net loss	\$ (2,688,559)	\$ (1,724,468)	\$ (7,319,849)	\$ (4,040,429)
Items not requiring use of cash				
Depreciation	16,807	7,390	36,489	28,420
Stock-based compensation	166,043	149,413	772,425	425,372
Interest expense	63,645	-	85,824	-
Loss on disposal of capital assets	12,692	-	12,692	-
Unrealized foreign exchange (gain) loss	(11,085)	(103,203)	3,036	(21,851)
Changes in non-cash working capital items (Note 7)	(344,761)	321,209	(242,421)	(802,125)
	(2,785,218)	(1,349,659)	(6,651,804)	(4,410,613)
INVESTING ACTIVITIES				
Expenditures on plant and equipment	(44,702)	(647)	(117,128)	(30,137)
Mineral properties	(75,000)	(50,000)	(75,000)	(50,000)
Proceeds from disposal of capital assets	4,783	-	4,783	-
	(114,919)	(50,647)	(187,345)	(80,137)
FINANCING ACTIVITIES				
Share capital issued	75,872	1,000,000	850,803	1,000,000
Drawings under line of credit facility	2,000,000	-	4,000,000	-
	2,075,872	1,000,000	4,850,803	1,000,000
EFFECT OF FOREIGN EXCHANGE RATE				
CHANGES ON CASH	(3,174)	94,823	(3,136)	13,926
(DECREASE) IN CASH	(827,439)	(305,483)	(1,991,482)	(3,476,824)
CASH AT BEGINNING OF PERIOD	1,960,957	5,050,841	3,125,000	8,222,182
CASH AT END OF PERIOD	\$ 1,133,518	\$ 4,745,358	\$ 1,133,518	\$ 4,745,358

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

ASIA GOLD CORP.

Notes to the Consolidated Financial Statements

September 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 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. (“Ivanhoe or IVN”). There can, however, be no assurance the Company will be able to raise sufficient funds in the future.

2. COAL TRANSACTION

In July 2006, the Company and Ivanhoe signed a definitive agreement whereby the Company will acquire Ivanhoe’s coal division (the “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 coal transaction, Ivanhoe has agreed to extend a line of credit to the Company of \$10 million, which may be increased to \$15 million by mutual agreement.

On August 8, 2006 the coal transaction and the equity conversion rights under the line of credit facility were approved by the Company’s minority shareholders at a special meeting convened for that purpose. The closing of the coal transaction remains subject to 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.

ASIA GOLD CORP.

Notes to the Consolidated Financial Statements

September 30, 2006

(Unaudited)

(Stated in U.S. Dollars)

2. COAL TRANSACTION (continued)

Completion of the transfer of the relevant mineral exploration licenses in Mongolia is taking longer than expected. Ivanhoe and Asia Gold have agreed to extend the closing date of the coal transaction on an indefinite basis in order to accommodate any unanticipated delays in completing the formal license transfer process in Mongolia. It is expected that the coal transaction will be completed shortly after the formal license transfer process in Mongolia is concluded.

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 coal transaction. If and when the coal transaction 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 3). If the coal transaction is not completed, these expenditures will remain solely for the account of Ivanhoe.

The Company has paid for certain costs related to the definitive agreement and shareholders' meeting. The total costs incurred to date are \$217,781.

3. AMOUNTS DUE UNDER LINE OF CREDIT FACILITY

On April 25, 2006, in conjunction with the coal transaction (Note 2), the Company entered into a line of credit facility with IVN whereby IVN has agreed to make available to the Company an unsecured line of credit of up to \$10 million. Under certain circumstances and by mutual agreement IVN may increase the amount to a maximum of \$15 million. 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. At September 30, 2006, \$4 million had been drawn on the facility and \$85,824 of interest had been accrued.

Subject to regulatory 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.

4. SHARE CAPITAL

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

During the nine months ended September 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

ASIA GOLD CORP.

Notes to the Consolidated Financial Statements

September 30, 2006

(Unaudited)

(Stated in U.S. Dollars)

4. SHARE CAPITAL (continued)

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 \$1,359,581 will be amortized over the vesting period; of which \$772,425 was recognized in the nine-month period ended September 30, 2006.

(b) *Outstanding stock options and warrants*

As at September 30, 2006, there were 3,027,768 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. At September 30, 2006, there were 1,976,014 exercisable options outstanding.

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).

5. RELATED PARTY TRANSACTIONS

- (a) The Company incurred the following expenses, on a cost recovery basis with Ivanhoe, a company which owns approximately 45% of the outstanding common shares of the Company and which has directors in common, and with a company related by officers or directors in common:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2006	2005	2006	2005
Office and administrative	\$ 95,927	\$ 62,988	\$ 259,724	\$ 174,316
Salaries and benefits	188,844	117,107	512,864	330,863
Consulting	-	-	40,000	-
Interest	63,645	-	85,824	-
	<u>\$ 348,416</u>	<u>\$ 180,095</u>	<u>\$ 898,412</u>	<u>\$ 505,179</u>

- (b) Accounts receivable include the following amounts:

	September 30,	December 31,
	2006	2005
Accounts receivable from Ivanhoe Mines Ltd.	\$ 49,148	\$ -

ASIA GOLD CORP.

Notes to the Consolidated Financial Statements

September 30, 2006

(Unaudited)

(Stated in U.S. Dollars)

5. RELATED PARTY TRANSACTIONS (continued)

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

	September 30, 2006	December 31, 2005
Amounts due for administration to Global Mining Management, a company related by way of directors and officers in common	\$ 116,707	\$ 70,728
Accounts payable to Ivanhoe Mines Ltd.	382,010	379,424

6. SEGMENT DISCLOSURES

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

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

	September 30 2006	December 31, 2005
Mongolia	\$ 335,726	\$ 260,726

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

	September 30 2006	December 31, 2005
Mongolia	\$ 95,007	\$ 98,842
Canada	30,877	19,192
Indonesia	53,558	-
Bulgaria	12,150	10,394
	\$ 191,592	\$ 128,428

ASIA GOLD CORP.

Notes to the Consolidated Financial Statements

September 30, 2006

(Unaudited)

(Stated in U.S. Dollars)

7. SUPPLEMENTAL CASH FLOW INFORMATION

Net change in non-cash working capital items:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2006	2005	2006	2005
Net decrease (increase) in:				
Accounts receivable	\$ (122,248)	\$ (17,764)	\$ (137,928)	\$ 33,941
Prepaid expenses	216,407	275,271	(238,054)	(40,802)
Net increase (decrease) in:				
Accounts payable and accrued liabilities	(438,920)	63,702	133,561	(795,264)
	<u>\$ (344,761)</u>	<u>\$ 321,209</u>	<u>\$ (242,421)</u>	<u>\$ (802,125)</u>

8. SUBSEQUENT EVENT

Pursuant to an Option Agreement with Solomon Resources Limited (“Solomon”) and Gallant Minerals Ltd. (“Gallant”), the Company has an option to earn up to a 70% interest in Khongor South (Mongolia). On or before the first anniversary of the effective date of the agreement (October 5, 2006), the Company had to complete exploration expenditures of not less than \$400,000. The agreed upon expenditures were completed before the first anniversary date. As part of the first earn in right obligations, the Company paid \$75,000 in September 2006 (Mineral Properties) and subsequent to September 30, 2006 issued 95,821 common shares with a value of \$200,000.

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

	Three months ended September 30, 2006				
	Mongolia	Bulgaria	Indonesia	Other	Total
Assaying	\$ 94,658	\$ 20,275	\$ -	\$ -	\$ 114,933
Camp costs	132,179	8,935	10,250	-	151,364
Consulting - geophysics	74,633	-	36,811	-	111,444
Consulting - geological	166,924	96,446	72,738	-	336,108
Depreciation	5,504	-	6,218	-	11,722
Drilling	158,116	53,870	2,093	-	214,079
License fees	324,291	5,683	1,322	-	331,296
Fuel	4,608	-	3,786	-	8,394
Legal	2,397	1,908	4,092	431	8,828
Maps, photos and reproductions	383	500	4,505	-	5,388
Office	177,172	22,730	13,434	45	213,381
Rental, lease and charter costs	47,679	13,114	11,089	-	71,882
Salaries	125,445	23,589	60,459	-	209,493
Supplies	2,984	-	2,965	-	5,949
Travel	43,302	23,413	12,908	5	79,628
Option and expense recovery	(8,959)	-	-	-	(8,959)
	\$ 1,351,316	\$ 270,463	\$ 242,670	\$ 481	\$ 1,864,930

	Three months ended September 30, 2005				
	Mongolia	Bulgaria	Indonesia	Other	Total
Assaying	\$ 97,914	\$ 27,165	\$ -	\$ -	\$ 125,079
Camp costs	119,960	5,898	129	-	125,987
Consulting - geophysics	17,508	-	-	-	17,508
Consulting - geological	126,052	9,640	1,526	-	137,218
Depreciation	4,798	-	-	-	4,798
Drilling	136,305	49,348	-	-	185,653
License fees	420,160	9,870	-	41	430,071
Fuel	4,347	-	-	-	4,347
Legal	30,641	20,579	-	9,558	60,778
Maps, photos and reproductions	1,685	617	317	-	2,619
Office	91,407	13,756	168	-	105,331
Rental, lease and charter costs	6,904	2,467	-	-	9,371
Salaries	145,701	20,356	8	2,625	168,690
Supplies	864	-	-	-	864
Travel	72,166	-	6,258	26	78,450
	\$ 1,276,412	\$ 159,696	\$ 8,406	\$ 12,250	\$ 1,456,764

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

	Nine months ended September 30, 2006				
	Mongolia	Bulgaria	Indonesia	Other	Total
Assaying	\$ 258,252	\$ 52,990	\$ -	\$ -	\$ 311,242
Camp costs	303,166	23,447	35,910	-	362,523
Consulting - geophysics	79,563	-	75,273	-	154,836
Consulting - geological	582,182	164,258	146,933	3,154	896,527
Depreciation	15,918	-	6,218	-	22,136
Drilling	625,254	173,490	5,118	-	803,862
License fees	829,589	20,237	11,452	26	861,304
Fuel	12,655	-	6,806	-	19,461
Legal	14,418	7,300	11,557	2,177	35,452
Maps, photos and reproductions	762	761	5,092	28	6,643
Office	376,450	60,942	61,753	1,098	500,243
Rental, lease and charter costs	108,101	35,115	13,201	-	156,417
Salaries	351,126	103,679	123,880	410	579,095
Supplies	6,110	121	4,106	-	10,337
Travel	121,094	66,470	51,871	5,905	245,340
Option and expense recovery	(26,477)	(6,126)	-	-	(32,603)
	\$ 3,658,163	\$ 702,684	\$ 559,170	\$ 12,798	\$ 4,932,815

	Nine months ended September 30, 2005				
	Mongolia	Bulgaria	Indonesia	Other	Total
Assaying	\$ 165,911	\$ 27,165	883	\$ -	193,959
Camp costs	190,292	5,898	418	-	196,608
Consulting - geophysics	75,808	-	-	-	75,808
Consulting - geological	335,506	9,640	67,450	8,077	420,673
Depreciation	14,049	-	-	-	14,049
Drilling	153,730	49,348	-	-	203,078
License fees	716,881	9,870	-	5,153	731,904
Fuel	9,043	-	-	-	9,043
Legal	51,427	20,579	-	60,755	132,761
Maps, photos and reproductions	2,950	617	738	114	4,419
Office	236,446	13,756	837	261	251,300
Rental, lease and charter costs	81,981	2,467	44,164	-	128,612
Salaries	328,954	20,356	10,022	5,057	364,389
Supplies	1,086	-	-	-	1,086
Travel	165,868	-	32,935	22,559	221,362
	\$ 2,529,932	\$ 159,696	\$ 157,447	\$ 101,976	\$ 2,949,051