ASIA GOLD CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
June 30, 2004
(Stated in U.S. Dollars)

OVERVIEW

Asia Gold Corp. (which, together with its subsidiaries, is collectively the "Company") is a mining exploration and development company with a focus on precious and base metal exploration and development in Mongolia. In the second quarter of 2004, Asia Gold Corp. sold its 90% interest in its South Korean properties (see 'Sale of Assets in South Korea'). Asia Gold Corp. trades on the TSX Venture exchange under the symbol ASG.

FORWARD LOOKING STATEMENTS

Except for statements of fact relating to 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 48 exploration licenses in Mongolia covering an aggregate area of approximately 4 million hectares ("ha"). 40 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. Six of the remaining licenses are known as the Oyut Ovoo property and are located approximately 270 km southwest of Ulaan Baatar. Two licenses are held in Dornod Aimag which is located approximately 300 km northeast of Ulaan Baatar.

Exploration Programs

Oyut Ovoo Property

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. Five of the six holes were drilled to test the skarn intrusive complex, these holes intersected minor amounts of copper mineralization. The sixth hole was drilled to test a large IP anomaly on a second target located about one kilometre southeast of the first target. This hole intersected anomalous copper mineralization in weakly altered granite between downhole depths of 120 and 243 metres. A table of drill results for this hole is available on the Company's website www.asiagold.com. Further work is planned this year on this second target to define the full extent of the IP anomaly followed by a program of trenching and geological mapping.

Western Gobi Property

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 targets that represent potential epithermal and porphyry style mineralization. High priority targets scheduled for follow-up work in 2004 include Dune, Yagaan, Tsagaan Temme, Har Temme 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. An 11-hole drill program consisting of 1,395 metres was completed in July, 2004; although some gold mineralization was present, results were generally disappointing and no further work is planned on this property at this time.

A program consisting of detailed and regional geologic mapping, geochemical sampling, trenching and IP commenced on the Yagaan project in May, 2004. Approximately 7,500 metres of trenching has been completed and 416 samples were collected over key areas. A drill program consisting of approximately 2,200 metres in 13 holes has commenced in August, 2004.

Reconnaissance exploration on the West Gobi property resumed in May, 2004, the objective being to develop a pipeline of new gold and copper-gold targets for detailed exploration and drilling in the latter half of the 2004 field program. Targets visited and identified for 2004 follow-up include Har Temee, Yagaan region, Tsagaan Temee and region and Maikhan.

The Company has proposed a revised exploration budget for the second half of 2004 in the amount of $2.7 million representing an increase of $1.4 million over the amount originally budgeted for this period. This increase results from the delay to the third quarter of 2004 of certain drilling programs that were originally scheduled in the June, 2004 quarter. To June 30, 2004, exploration expenses totaling $1.2 million had been spent on exploration activities.

Sale of Assets in South Korea

Asia Gold Corp. has sold its 90% interest in its South Korean properties to Hangum Co. Ltd., a South Korean company that owned the remaining 10% of these assets. In consideration for the sale of these assets, Asia Gold Corp. received $422,000 plus all proceeds of $421,845 from the sale of concentrate produced from the Eunsan Mine up to March 31, 2004 and held in inventory at that time. This transaction resulted in a net loss of $49,274.

Asia Gold Corp. received an aggregate of $1.4 million in net cash flow from the Eunsan project during the period from acquisition in 2003 to July, 2004 when the sale transaction was finalized. This amount includes both the net costs recovered by the Eunsan project from the sale of concentrate in excess of expenditures used for exploration and operational activities, as well as the sale proceeds noted above.

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 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.

Overview

This review of the results of operations should be read in conjunction with the unaudited interim consolidated financial statements of the Company for the three and six month periods ended June 30, 2004 and 2003.

Current operations commenced with the completion of the acquisition agreement with Ivanhoe Mines on July 31, 2003 and from financing provided by the Company's initial public offering in December, 2003. For these reasons, the aggregate net loss for the three-month period ended June 30, 2003 does not represent results, both in scope and magnitude, which are comparative to the results for the same 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 June 30, 2004 and March 31, 2004

	Three Months Ended	
	June 30, 2004	March 31, 2004
EXPENSES		
Depreciation	$ 4,653	$ 920
Exploration	962,072	17,930
Investor relations	11,898	14,628
Legal	10,476	28,782
Office and administration	119,241	80,304
Professional fees	10,024	11,071
Salaries	120,011	117,248
Stock based compensation	62,213	73,874
Travel	46,648	35,382
	1,347,236	380,139
OTHER (INCOME)/EXPENSES		
Interest income	(85,250)	(23,955)
Foreign exchange losses	234,896	110,438
Loss on disposal of subsidiary	49,274	-
Other	-	17,416
	198,920	103,899
NET LOSS	$ 1,546,156	$ 484,038

The Company incurred a net loss of $1.5 million for the three-month period ended June 30, 2004 as compared to a net loss of $484,000 for the preceding three-month period. The loss in the June quarter as well as the increase in expenditures from the March period was largely the result of increases in exploration costs. The net loss in the March 2004 quarter was primarily attributable to administrative costs as exploration expenditures incurred during that period were largely offset by incidental revenues from the sale of gold-silver concentrate by the Eunsan mine in Korea.

Exploration expenditures of $962,000 were incurred on the Mongolian properties during the three months ended June 30, 2004. Exploration expenditures of $220,000 and $1.2 million were incurred on the Mongolian and Korean properties, respectively, during the three months ended March 31, 2004. Exploration expense recoveries in the amount of $1.4 million were realized from the sale of concentrate from the Eunsan mine in Korea resulting in net exploration expenditures of $18,000 for the first quarter, 2004. There were no expenses incurred, or exploration expense recoveries realized on the Korean assets during the second quarter of 2004 as the Korean subsidiary which held these assets was sold on April 5, 2004. Expenses incurred at the Eunsan mine were recorded as exploration costs as the Eunsan mine was unable to demonstrate that it could run as a self-sustaining operation. The increase in exploration expenditures on the Mongolian properties reflects the commencement of the exploration field season in March, 2004 and the resultant seasonal increase in exploration activities during the spring.

Investor relations costs consist primarily of printing costs and conference registration fees. There was no significant change to the level of these costs on a period over period basis.

Legal fees decreased in the second quarter of 2004 as costs associated with the Company's December, 2003 initial public offering which were incurred in the March quarter were not duplicated in the June period. The balance of legal charges were for costs associated with the Company's regulatory affairs, including issues associated with corporate governance, filing, registration and disclosure.

The increase in office and administration costs during the June, 2004 quarter is attributable primarily to the cost of liability insurance and directors and officer's insurance programs of $35,000 incurred during this period. Otherwise, the costs of salaries and office and administration remained relatively stable on a period over period basis. 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.

Professional fees for the three months ended March 31, 2004 and June 30, 2004 consist primarily of the cost of reviews of the Company's quarterly financial statements. There was no significant change to the level of these costs on a period over period basis.

Stock based compensation in the amount of $62,000 was recorded in the June quarter and $74,000 in the March quarter. Stock-based compensation is recognized over the vesting periods of the stock options to which it relates. 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.

A foreign exchange loss of $235,000 was recorded in the June quarter versus a loss of $110,000 for the March period. These losses are primarily the result of changes to the U.S. to Canadian dollar exchange rates during these periods and the resultant decrease in the U.S. dollar equivalent of Canadian dollar denominated cash deposits.

Summary of quarterly results

	2004		2003	
	June 30,	March 31,	December 31,	September 30,
Net loss	$ 1,546,156	$ 484,038	$ 727,897	$ 1,550,111
Basic and diluted loss per share	$ 0.11	$ 0.03	$ 0.21	$ 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. 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 $174,000 and $159,000 for the three-month periods ended June 30, 2004 and March 31, 2004, respectively.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2004, the Company had a working capital balance of $9.7 million and cash resources of $9.8 million. A further $384,000 was received in July 2004 representing the balance of proceeds from the sale of the South Korean properties. Budgeted expenditures for the second half of 2004 are $3.4 million, consisting of exploration and administrative expenditures in Mongolia of $2.7 million and corporate administrative costs of $700,000. Planned exploration expenditures are contingent upon the relative success of exploration initiatives, and may be adjusted during the balance of the year. 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 the remainder of 2004, the Company expects to fund its exploration programs and ongoing administrative costs from the balance of working capital on hand.

At June 30, 2004, the Company had approximately $12.7 million in Canadian funds which amount exposes the Company to risks associated with foreign exchange fluctuations. These Canadian denominated funds incurred an unrealized foreign exchange loss of $230,000 during the first half of 2004 as the Canadian dollar lost value in comparison to its U.S. counterpart during this period. Since June 30, 2004, the Canadian dollar has strengthened and the majority of these unrealized losses have been recovered. It is the Company’s intention to convert most of its Canadian dollar holdings into U.S. dollars while current exchange rates remain favorable.

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 has a known body of commercial ore. In addition, 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, title risks and uncertainty of additional financing.

OUTLOOK

The Company will concentrate its efforts on identification and drilling of prospective copper-gold targets on its exploration licenses in Mongolia, [and identification and acquisition of new mineral property exploration opportunities][potential elimination of bracketed phrase pending outcome of discussion at board meeting]. 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.

August 23, 2004