MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

December 31, 2004

(Stated in U.S. Dollars)

ASIA GOLD CORP.
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OVERVIEW

Asia Gold Corp. (which, together with its subsidiaries, is collectively referred to as the "Company") is a mineral exploration company with a focus on precious and base metal exploration and development in Mongolia. Asia Gold Corp. trades on the TSX Venture exchange under the symbol ASG.

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, 2004.

All direct costs related to the acquisition of mineral property interests are capitalized by property. Exploration costs are charged to operations in the period incurred until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized. Exploration costs include value-added taxes incurred in foreign jurisdictions when recoverability of those taxes is uncertain.

The Company reviews the carrying values of its mineral property interests whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable amounts. An impairment loss is recognized when the carrying value of those assets is not recoverable and exceeds their fair value.

Future income tax assets and liabilities are computed based on differences between the carrying amounts of assets and liabilities on the balance sheet and their corresponding tax values, using the enacted or substantively enacted, as applicable, income tax rates at each balance sheet date. Future income tax assets also result from unused loss carry-forwards and other deductions. The valuation of future income tax assets is reviewed quarterly and adjusted, if necessary, by use of a valuation allowance to reflect the estimated realizable amount.

The Company accounts for stock options granted to directors, officers and employees using the fair value method of accounting. Accordingly, the fair value of the options at the date of the grant is determined using the Black-Scholes option pricing model, as required by generally accepted accounting principles, and stock-based compensation is accrued and charged to operations, with an offsetting credit to contributed surplus, on a straight-line basis over the vesting periods. 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 realistic measure of the fair value of the Company's stock options at the date of the grant or thereafter.

RECENT ACCOUNTING PRONOUNCEMENTS

On January 27, 2005, the CICA issued Section 3855 of the Handbook entitled Financial Instruments - Recognition and Measurement. It expands Handbook Section 3860, Financial Instruments - Disclosure and Presentation, by prescribing when a financial instrument is to be recognized on the balance sheet and at what amount. It also specifies how gains and losses on financial instruments are to be presented.

All financial instruments will be required to be classified into various categories. Held to maturity investments, loans and receivables will be measured at amortized cost, with amortization of premium or discounts, losses and impairment included in current period interest income or expense. Held for trading financial assets and liabilities will be measured at fair market value with all gains and losses included in net income in the period in which they arise. All available for sale financial assets will be measured at fair market value with revaluation gains and losses included in other comprehensive income until the asset is removed from the balance sheet, and losses due to impairment will be included in net income. All other financial liabilities are to be carried at amortized cost.

The mandatory effective date of Section 3855 is for fiscal years beginning on or after October 1, 2006, with optional early recognition for fiscal years beginning on or after December 31, 2004. The Company intends to adopt this standard in its fiscal year ending December 31, 2005.

At present, the Company's most significant financial instruments are cash, accounts receivable and accounts payable. This new section will require little difference in accounting for these financial instruments from current standards.

The new Handbook Section 1530 - Comprehensive Income introduces a new requirement to temporarily present certain gains and losses outside of net income. Section 1530 defines comprehensive income as a change in value of net assets that is no longer due to owner activities. Assets that are classified as available for sale will have revaluation gains and losses included in other comprehensive income until the asset is removed from the balance sheet.

At present, the Company does not have any available for sale investments.

The effective date of this new Section is for fiscal years beginning on or after October 1, 2006, with optional early recognition for fiscal years beginning on or after December 31, 2004. The Company intends to adopt this new standard in its fiscal year ending December 31, 2005.

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

Technical Reports

Disclosure of information of a technical or scientific nature relating to the Company’s exploration activities has been disclosed in certain filings on the System for Electronic Document Analysis and Retrieval (“SEDAR”) and can be accessed at www.sedar.com or on the Company’s website at www.asiagold.com. Disclosure of information of a technical or scientific nature has been disclosed in part in Technical Reports for the Mongolian properties dated September 17, 2003, prepared by Robert Weicker, P.Geo.B.C., a consultant to the Company and a qualified person for National Instrument 43-101 (“NI 43-101”), which have been filed on SEDAR. All other disclosure of a scientific or technical nature which has been filed on SEDAR or on the Company’s website was prepared by, or under the supervision of, Mr. David C. Owens, P.Geo., the President of the Company, Richard R. Gosse, P.Geo, the Vice President Exploration of the Company and A.W. Gourlay, P.Geol., the Senior Geologist of the Company, all “qualified persons” for the purposes of NI 43-101.

Mongolia Exploration Licenses

As of April 11, 2005, the Company held 67 exploration licenses in Mongolia covering an aggregate area of approximately 4.2 million hectares (“ha”). Forty-six of these licenses, the Western Gobi Property, are located in the west-central portion of the Omnogovi Aimag (province) approximately 510 kilometers (“km”) southwest of 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. In addition, eleven licenses are held in Dornod Aimag which is located approximately 300 km northeast of Ulaan Baatar, three licenses are held in Khuvsgul Aimag in northern Mongolia and a single license is held in Khovd Aimag in western Mongolia.

Exploration licenses in Mongolia are granted for a period of three years followed by two two-year extensions (for a total of seven years) and require escalating rent payments which are due annually. Accordingly, the longer an exploration license is held, the higher the annual cost becomes. For this reason, certain of the Company's exploration targets have been prioritized on the basis of the age of the exploration license with the advanced or greater-cost licenses receiving priority for current exploration programs. As certain of these licenses are identified as having limited mineral potential, they may be surrendered in order to minimize rental fees. The number of licenses held will therefore fluctuate on a period to period basis as new properties are acquired and older ones surrendered. If all licenses currently held were maintained through 2005, license fees would aggregate approximately $2.3 million.

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. An 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 magnetic anomalies.

The Company completed an initial diamond drilling program in April, 2004 on the Oyut Ovoo property consisting of 1,715 metres in six drill holes. Five of the six holes were drilled to test the skarn intrusive complex, and only intersected minor amounts of copper mineralization. The sixth hole was drilled to test a large IP anomaly on a second target located about one km southeast of the skarn. This hole intersected anomalous copper mineralization in weakly altered granite between downhole depths of 120 and 243 metres. A further program of trenching on the second target was completed in November 2004, with encouraging results from three of the six trenches excavated. Assay results for the drill hole and trenching program is available on the Company's website www.asiagold.com.

An additional ground magnetics and IP geophysical survey commenced in March 2005. Further work at Oyut Ovoo in 2005 is conditional on the results of this survey.

Western Gobi Properties

Yagaan

A program consisting of detailed and regional geologic mapping, geochemical sampling, trenching and an IP geophysical survey commenced on the Yagaan project in May, 2004. Approximately 7,500 metres of trenching was completed and 416 samples were collected over key areas. A drill program consisting of 1,285 metres in 8 holes was completed in October, 2004 with disappointing assay results that indicated only weakly anomalous gold values. No work is planned at Yagaan in 2005.

Maikhan

Geologic mapping using satellite and IP data has been completed. A drill program consisting of a single hole 197 metres deep was completed in October, 2004. Assay results from this hole were negative and no further work is planned on this prospect at this time.

Har Temmee

Detailed geologic mapping at Har Temmee was completed in October, 2004. A 3-hole drill program of 394 metres was completed in November, 2004 with negative results. No further work is planned at Har Temme.

In addition to the foregoing, a total of 83 additional potential gold and copper exploration targets in the Western Gobi properties were identified using Aster remote sensing data. Of these, 39 sites in the western half of the project area were visited with reconnaissance geology and geochemical sampling. This program resulted in the identification of 6 targets with anomalous copper and/or gold geochemistry that warrant additional mapping and sampling. Exploration programs for these targets will be developed for the 2005 field season.

The targeting work on the eastern half of the Western Gobi properties has identified 44 new targets, including 8 ranked as high priority and 20 as medium priority. All of the targets in the eastern half of the project will be evaluated in the field during helicopter reconnaissance programs in April and June 2005. These programs will also include 14 targets in the west half of the property that were not visited in 2004. In total there are 58 new targets to visit before the end of June 2005. After the completion of the reconnaissance work the targets will be ranked for detailed follow-up and potential drilling.

Dornod Properties

Interpretation of satellite images identified 4 areas of interest from which a total of 25 samples were taken during reconnaissance exploration in the second quarter of 2004. Several of these samples included anomalous arsenic and one sample contained elevated gold. As at the end of February 2005, the Company had 9 granted licences and another 14 under application for a total of 7,800 square km. A 2005 exploration program will be proposed when the land package has been consolidated and finalized.

Khuvsgul Properties

No exploration activities have commenced on these license areas. The Company has compiled existing published data on these areas for interpretation and has identified 5 exploration targets. A regional stream sediment survey is proposed for the 2005 field season.

Khovd Property

No exploration activities have commenced on this license area. The Company is currently compiling existing published data on the area for interpretation.

The Company adopted a revised exploration budget for the second half of 2004 in the amount of $2.4 million. For the six months ended December 31, 2004, actual exploration expenses in respect of these budgeted amounts totaled $2.2 million. This amount is approximately $200,000 under budget, resulting from the delay of certain planned exploration programs on the Dornod property as well as lower than expected costs at the Company's exploration office in Ulaan Bataar, Mongolia. Exploration expenses as presented in the accounts of the Company for the six months ended December 31, 2004 were $2.5 million and include certain exploration costs related to previous periods that were not included in the foregoing budgeted amounts.

The Company has adopted a base case committed exploration budget for 2005 in the amount of $1.4 million with an additional contingent budget amount of $1.2 million for total planned exploration expenditures of $2.6 million. In addition, exploration license rental fees aggregating $2.3 million would be payable during 2005 if all existing licenses were maintained. An analysis of the results of the 2004 exploration program will likely result in certain of these licenses being relinquished during 2005 before their annual rental fees are due.

Sale of Assets in South Korea

Effective April 1, 2004, 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 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 balance of sale proceeds were received. This amount includes 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.

SELECTED ANNUAL INFORMATION

($ in thousands, except per share information)	**Year ended December 31,**		
	2004	2003	2002
Exploration expenses	$3,433	$518	$72
Net loss	$4,503	$2,278	$256
Net loss per share	($0.31)	($0.43)	($0.16)
Cash and cash equivalents	$8,222	$11,869	$4
Total assets	$8,699	$13,472	$79

For each of the years ended December 31, 2004, 2003 and 2002, the Company had no net sales or other operating revenues, no long-term liabilities and no dividends were declared.

The Company was incorporated in February, 2002 and commenced operations that year with limited available funds. Current operations commenced in July, 2003 with the completion of the acquisition agreement with Ivanhoe Mines Ltd. ("Ivanhoe Mines") and the Company's initial public offering later that year which raised $10.4 million. Exploration expenditures and the Company's net loss for 2004 was higher than that experienced in previous years as the exploration programs did not commence in earnest until 2004 concurrent with the newly available funding. Total assets consist primarily of cash, which will decline on a year to year basis as these funds are utilized for operations.

RESULTS OF OPERATIONS

	Year ended December 31, 2004	Year ended December 31, 2003
EXPENSES		
Depreciation	**$ 15,931**	$ 1,275
Exploration, net of incidental revenues	**3,433,318**	517,954
Investor relations	**48,523**	7,526
Legal	**73,256**	58,567
Office and administration	**402,060**	105,567
Professional fees	**67,521**	140,592
Salaries and benefits	**501,724**	163,961
Stock-based compensation	**277,919**	240,177
Travel	**149,932**	67,923
	4,970,185	1,303,542
OTHER (INCOME)/EXPENSES		
Interest income	**(197,932)**	(16,313)
Foreign exchange gain	**(335,482)**	(233,372)
Loss on disposal of subsidiary	**49,274**	-
Interest expense	**-**	3,657
Loss on disposal of capital assets	**-**	53,418
Write-down of mineral property	-	1,078,277
Write-down of capital assets	-	81,032
Other	**17,418**	43,682
	(466,722)	1,010,381
LOSS BEFORE INCOME TAXES	**4,503,463**	2,313,923
FUTURE INCOME TAX RECOVERY	-	(35,915)
NET LOSS	**$ 4,503,463**	$ 2,278,008

Overview

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 year ended December 31, 2003 does not represent results, both in scope and magnitude, which are comparative to the results for the year ended December 31 2004. This discrepancy should be considered when drawing comparative conclusions. In addition, as the Company is in the exploration stage, financial results are generally not fully comparable to those of the corresponding periods in the prior year due to potential significant changes to the nature of the Company's operations. Accordingly, in addition to annual and quarterly comparisons, the current quarter's operating results will be compared to those of the immediately preceding quarter.

Year Ended December 31, 2004 and 2003

The Company incurred a net loss of $4.5 million for the year ended December 31, 2004 as compared to a net loss of $2.3 million for the preceding year. The loss in 2004 is primarily attributable to the cost of exploration activities whereas the majority of the 2003 loss resulted from the write-down of the Korean mineral properties, plant and equipment. Administration costs for both years were roughly the same on a pro-rated monthly basis.

Exploration expenses during 2004 were $3.4 million as compared to $518,000 in the 2003 period. The 2003 amount includes expenditures of $827,000 on the Mongolian properties and a net credit of $309,000 on the Korean project; total expenditures in Korea in 2003 were $2.5 million which was offset by incidental revenues from the sale of gold-silver concentrate in the amount of $2.9 million. The 2004 exploration amount represents expenditures of $3.6 million on the Mongolian properties and a net credit of $202,000 from the Korean project; total expenditures in Korea in 2004 were $1.2 million which was offset by incidental revenues of $1.4 million. The increase in expenditures on the Mongolian properties is reflective of a full year's exploration field program during 2004 versus start-up operations in 2003 which is representative of only five-months of activity. In addition, exploration programs undertaken during 2003 focused primarily on reconnaissance activities whereas the 2004 program, building on the work carried out in 2003, included geophysical, drilling and assay programs and the requisite field staff and infrastructure to support them.

Investor relations costs increased in 2004 which is reflective of the fact that Asia Gold Corp. became a public company in December, 2003. Accordingly, certain costs associated with news releases, trade shows and printed promotional materials were not incurred in the 2003 period.

Similarly, office and administration costs and salaries increased in 2004 commensurate with the increased administrative work load of a public versus private company. 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 and the level of personnel employed.

Legal fees of $73,000 incurred in the 2004 year increased by $15,000 over those from 2003. The majority of the legal costs of $59,000 in 2003 were associated with the issuance of the Company's prospectus whereas most of the 2004 costs were in respect of the closing of the sale of the Company's Korean assets in July, 2004. Legal costs for 2004 also include costs associated with the Company's Annual General Meeting as well as costs in respect of the Company's regulatory affairs, including issues associated with corporate governance, filings, registration and disclosure.

Professional fees decreased in 2004 as costs incurred during 2003 associated with the agreement with Ivanhoe Mines were not duplicated during the current period. Professional fees of $68,000 incurred during 2004 include primarily the estimated cost of the Company's annual audit as well as costs for the review of quarterly financial statements. Professional fees of $141,000 for the year ended December 31, 2003 include accrued annual audit fees, the cost of a review of the Company's September 2003 quarterly financial statements, costs associated with the agreement with Ivanhoe Mines, and other consulting fees.

Stock based compensation in the amount of $278,000 was recognized in 2004 and $240,000 in 2003. Stock-based compensation is recognized over the vesting periods of the stock options to which it relates, which can result in fluctuations in the level of costs recorded on a period over period basis.

Travel expenses more than doubled from 2003 to 2004 which is reflective of twelve-months of activity in the current year versus the five-month operating period in 2003. Travel costs include airfares and accommodation for the Company's management personnel who travel to operational locations in Mongolia and other prospective locations throughout Asia.

A foreign exchange gain of $335,000 was recorded in 2004 versus a gain of $233,000 for 2003. These gains are primarily the result of changes to the U.S. to Canadian dollar exchange rates during this two-year period and the resultant increase in the U.S. dollar equivalent of Canadian dollar denominated cash deposits. An amount of $174,000 of the gain recorded in 2004 is unrealized.

Interest income increased significantly from 2003 to 2004, which is reflective of much larger average cash balances held during 2004 resulting from funds received from the Company's initial public offering in December, 2003.

SELECTED QUARTERLY DATA

($ in thousands, except per share information)

	2004				2003	
QUARTER ENDED	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep
Exploration expenses	$1,260	$1,193	$962	$18	($822)	$1,319
Net loss	$1,451	$1,022	$1,546	$484	$728	$1,550
Net loss per share	($0.10)	($0.07)	($0.11)	($0.03)	($0.21)	($0.22)

Historic quarterly data has been provided only to September, 2003 as this is the first quarter for which the Company became a reporting issuer.

The changes in comparative results of operations on a quarter over quarter basis are due primarily to significant fluctuations in three areas: exploration expenses; foreign exchange gains and losses; and asset and property write-downs.

Exploration expenses were offset during the 2003 December quarter and the 2004 March quarter, as incidental revenues were realized from the sale of ore concentrate at the Eunsan project in South Korea during these periods. As the Eunsan project was sold at the end of March, 2004, all exploration expenditures recorded for the last nine months of 2004 represent costs incurred on the Mongolian projects. There was a slight rise in the Mongolian expenditures throughout the year as the majority of the work was performed in the 3rd and 4th quarters of 2004 coincident with favourable weather patterns.

Foreign exchange gains and losses arise primarily from cash balances which are maintained in Canadian funds whereas the reporting currency of the Company is in U.S. dollars. Accordingly, fluctuations in the Canadian versus U.S. exchange rate results in the recording of gains or losses on a quarterly basis. Gains were recorded in the September and December quarters of 2004 and in the December quarter of 2003 whereas losses were recorded in the first six months of 2004 and the September quarter, 2003.

In December, 2003, a $1.2 million write-down of the Eunsan mineral property, plant and equipment costs was made. This write-down was the result of unsuccessful exploration results at the Eunsan gold-silver project in the latter half of 2003 and the anticipated limited mineral resources and project life in 2004.

	Three Months Ended		
	December 31, 2004	September 30, 2004	December 31, 2003
	(Unaudited)	(Unaudited)	(Unaudited)
EXPENSES			
Depreciation	**$ 6,267**	$ 4,091	$ (1,062)
Exploration	**1,260,145**	1,193,171	(821,619)
Investor relations	**7,274**	14,723	5,580
Legal	**10,947**	23,051	27,515
Office and administration	**101,091**	101,426	55,375
Professional fees	**37,117**	9,309	39,455
Salaries and benefits	**134,364**	130,102	110,973
Stock-based compensation	**73,249**	68,583	240,177
Travel	**33,679**	34,223	26,702
	1,664,133	1,578,679	(316,904)
OTHER (INCOME)/EXPENSES			
Interest income	**(39,771)**	(48,956)	(16,085)
Foreign exchange gains	**(173,056)**	(507,760)	(263,795)
Interest expense	-	-	2,833
Loss on disposal of equipment	-	-	53,418
Write down of mineral property	-	-	1,078,277
Write down of plant and equipment	-	-	81,032
Other	-	-	56,879
	(212,827)	(556,716)	992,559
LOSS BEFORE TAXES	**1,451,306**	1,021,963	675,655
FUTURE INCOME TAX RECOVERY	-	-	(35,915)
NET LOSS	**$ 1,451,306**	$ 1,021,963	$ 639,740

Three Months Ended December 31, 2004 and 2003

The Company incurred a net loss for the three-months ended December 31, 2004 of $1.5 million as compared to a net loss of $640,000 for the same period in 2003. This change is due primarily to two factors, an increase in exploration costs during the 2004 period partially offset by the absence of the write-down of the Eunsan mine recorded in the fourth quarter of 2003.

Exploration expenses during the 2004 period were $1.3 million as compared to a net exploration cost recovery of $822,000 in the 2003 quarter. The 2004 expenditures were spent entirely on field work on the Company's Mongolian exploration licenses. The 2003 expenditures included $416,000 on the Mongolian properties and $1,615,000 on exploration and operations at the Eunsan mine. However, these expenses were offset by the sale of concentrate at Eunsan in the amount of $2,853,000 resulting in the net exploration cost recovery for this period. The increase in expenditures on the Mongolian properties is reflective of a full exploration field program during 2004 versus reconnaissance exploration activities in the 2003 quarter.

The net loss in the December, 2003 quarter was largely the result of a $1.2 million write-down of the Eunsan mineral property, plant and equipment costs. This write-down was the result of unsuccessful exploration results at the Eunsan gold-silver project in the latter half of 2003 and the anticipated limited mineral resources and project life in 2004.

Salary costs and office and administration fees increased by an aggregate of $69,000 in the 2004 quarter versus those incurred in the same period in 2003. Of this increase, $25,000 was for the 2004 directors and officer's insurance premium; there was no directors and officer's insurance policy in place in 2003. Office and administration costs increased by $46,000 due to increases in staffing levels and GMM staff and office allocations during the 2004 quarter. This increase in 2004 is reflective of the hiring of a Vice-President, Exploration in early 2004 as well as the additional resources required to administer a publicly listed company.

Stock-based compensation expense recorded for the 2003 quarter was $240,000 as opposed to an amount of $73,000 in 2004. This difference reflects the vesting pattern of the underlying stock options that gave rise to the compensation expense.

The balance of administrative costs, investor relations, legal, professional fees and travel were roughly the same for the 2003 and 2004 quarters.

Interest income in the 2003 quarter was about half of that recorded in 2004. The income earned during 2004 resulted primarily from cash balances from the Company's initial public offering in December, 2003. Prior to this time, the Company's cash balances were minimal.

A foreign exchange gain of $173,000 was recorded in the 2004 quarter versus a gain of $264,000 for 2003. These gains are primarily the result of changes to the U.S. to Canadian dollar exchange rates during these periods and the resultant increase in the U.S. dollar equivalent of Canadian dollar denominated cash deposits.

Three Months Ended December 31, 2004 and September 30, 2004

The Company incurred a net loss for the three-months ended December 31, 2004 of $1.5 million as compared to a net loss of $1.0 million for the preceding three month period. This change is primarily due to a decrease in the foreign exchange gain from $508,000 in the September quarter to $173,000 in the December quarter. The September gain is reflective of a period of relatively large increases in the value of Canadian dollar as compared to its U.S counterpart and the effect that increase had on Canadian dollar denominated cash deposits.

Exploration expenses during the December period were $1.3 million as compared to $1.2 million in the September period, all of which were spent on the Company's Mongolian properties. The majority of these expenditures include costs for geological and geophysical consultants, drilling, assaying, camp costs and property license fees.

Administration costs, with the exception of professional fees, remained virtually unchanged on a quarter over quarter basis reflecting a period of relative administrative operating stability during the second half of 2004.

Professional fees increased by $28,000 in the December quarter due to the accrual of the 2004 audit fees during this period.

Interest income was $9,000 higher in the three months ended September 30, 2004 versus the amount received in the December quarter due to higher average cash balances during the former period.

LIQUIDITY AND CAPITAL RESOURCES

The balance sheets as at December 31, 2004 and 2003 are shown in the following table for ease of reference.

		December 31, 2004		December 31, 2003
ASSETS				
CURRENT				
Cash and cash equivalents	**$**	**8,222,182**	$	11,869,149
Accounts receivable		**79,737**		342,596
Prepaid expenses		**124,276**		21,993
Inventory		**-**		248,083
		8,426,195		12,481,821
MINERAL PROPERTIES		**158,384**		333,982
PLANT AND EQUIPMENT		**114,528**		656,600
	$	**8,699,107**	$	13,472,403
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities	**$**	**1,035,404**	$	1,195,390
Asset retirement obligation		**-**		387,766
		1,035,404		1,583,156
SHAREHOLDERS' EQUITY				
Common shares		**14,183,003**		14,183,003
Contributed surplus		**518,096**		240,177
Deficit		**(7,037,396)**		(2,533,933)
		7,663,703		11,889,247
	$	**8,699,107**	$	13,472,403

At December 31, 2004, the Company had a working capital balance of $7.4 million and cash resources of $8.2 million. Budgeted expenditures for 2005 are $3.9 million, consisting of exploration and administrative expenditures in Mongolia of $2.6 million and corporate administrative costs of $1.3 million. In addition, Mongolian exploration license rental fees aggregating $2.3 million would be payable during 2005 if all existing licenses were maintained. The Company is actively pursuing exploration opportunities outside the scope of its existing properties; should any of these opportunities come to fruition, the remaining exploration budget would require revision to encompass the additional expenditures. The Company expects to fund its 2005 exploration programs and ongoing administrative costs from the balance of working capital on hand.

During the year ended December 31, 2004, the Company spent $4.1 million on operations, made expenditures on equipment in the amount of $115,000 and received cash inflows of $844,000 on the sale of the Eunsan Mine.

At December 31, 2004, the Company had approximately $4.6 million in Canadian funds which amount exposes the Company to risks associated with foreign exchange fluctuations. Due to a strengthening in value of the Canadian dollar versus its U.S. counterpart during 2004, foreign exchange gains in the amount of $294,000 in the Company's Canadian dollar denominated cash holdings were recorded during 2004. Of this amount, $194,000 was unrealized at December 31, 2004. For the year ended December 31, 2004, the Company converted a total of $6.9 million Canadian dollars into U.S. dollars.

Despite the foregoing, the Company does not have sufficient funds or the ability to generate additional funds necessary to complete all planned exploration activities or maintain operations for the long term. 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.

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 at cost. The Company has utilized the services of the GMM staff and office since June 1, 2003 and has incurred costs of $724,000 for the year ended December 31, 2004 and $219,000 for the six-month period ended December 31, 2003.

In connection with the acquisition of the exploration licenses from Ivanhoe Mines, the Company and Ivanhoe Mines entered into a mineral exploration services agreement. Under the terms of this agreement, the Company contracted Ivanhoe Mines to conduct exploration activities on the Company's behalf on a cost recovery basis. This services agreement was terminated in October 2003, and replaced with a technical consulting agreement. Under the new agreement, the Company assumed responsibility for its own exploration activities after November 30, 2003, while retaining Ivanhoe Mines to conduct exploration activities and using Ivanhoe Mines' infrastructure on a cost recovery basis from time to time. The Company reimbursed Ivanhoe Mines $207,000 and $572,000 in respect of these agreements during 2004 and 2003, respectively.

In addition, the Company and Ivanhoe Mines have entered into a coal rights retention agreement ("CRRA") whereby Ivanhoe Mines will retain the rights to any coal and coal-related products situated in, on or under the geographical boundaries of any of the 40 exploration licenses acquired prior to 2004. The CRRA does not apply to the licenses granted directly to the Company.

OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares without par value. As at April 11, 2005: 14,622,349 common shares were issued and outstanding; 2,015,000 share purchase options had been granted and were outstanding; and 1,333,333 common share purchase warrants had been issued and were outstanding. On a fully diluted basis, 17,970,682 common shares were outstanding.

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. Material risks and uncertainties affecting the Company, their potential impact, and the Company's principal risk management strategies, are as follows:

- *Additional Funding Requirements* - The further development and exploration of the various mineral properties in which it holds interests depends upon the Company' ability to obtain financing through joint ventures, debt financing, equity financing or other means. There can be no assurance that the Company will be successful in obtaining any required financing as and when needed. Depressed markets for precious and base metals may make it difficult, or impossible, for the Company to obtain debt financing or equity financing on favorable terms, or at all. The Company operates in a region of the world that is prone to economic and political upheaval and mineral properties held by the Company are located in politically and economically unstable countries, which may make it more difficult for the Company to obtain debt financing from project lenders. Failure to obtain additional financing on a timely basis may cause the Company to postpone its development plans, forfeit rights in some or all of its properties or reduce or terminate some or all of its operations.
- *Risks pertaining to Mongolia* - Mongolia is, and for the foreseeable future is expected to remain, the country in which the Company concentrates most of its business activities and financial resources. Since 1990, Mongolia has been in transition from state socialism and a planned economy to a political democracy and a free market economy. Much progress has been made in this transition, but much more progress remains to be made, particularly with respect to the rule of law. Many laws have been enacted, but in many instances they are neither understood nor enforced. For decades, Mongolians have looked to politicians and bureaucrats as the sources of the "law". This has changed in theory, but often not in practice. With respect to most day-to-day activities in Mongolia, government civil servants interpret, and often effectively make, the law. This situation is gradually changing, but at a relatively slow pace. Laws may be applied in an inconsistent, arbitrary and unfair manner and legal remedies may be uncertain, delayed or unavailable.

- *Uncertainties related to mineral resource estimates* – There is a degree of uncertainty attributable to the calculation of mineral resources and corresponding grades being mined or dedicated to future production. Until resources are actually mined and processed, the quantity of resources and grades must be considered as estimates only. In addition, the quantity and value of reserves or resources may vary, depending on metals prices. Any material change in the quantity of resources, grades or stripping ratio may affect the economic viability of the Company's properties. In addition, there can be no assurance that metal recoveries in small-scale laboratory tests will be duplicated in larger-scale tests under on-site conditions, or during production.

- *Metal price volatility* – Metal prices are subject to volatile price changes from a variety of factors, including international economic and political trends, expectations of inflation, global and regional demand, currency-exchange fluctuations, interest rates and global or regional consumption patterns, speculative activities and increased production due to improved mining and production methods.

- *Currency risks* – The bulk of the Company's activities are denominated in U.S. currency. During the past year, the Company invested most of its surplus funds in cash instruments denominated in Canadian dollars. During most of this period, the Canadian dollar strengthened against the U.S. dollar, resulting in a foreign exchange gain to the Company. There is no guarantee that the Canadian dollar will continue on this trend in the future and a sudden weakening of the Canadian dollar vis-a-vis the U.S. dollar could generate a significant foreign exchange loss to the Company.

- *Limited production history* - The Company has paid no dividends on its common shares since incorporation and does not anticipate doing so in the foreseeable future. To date, the Company has not received any cash flow generated from operations. All exploration projects of the Company will need funding from the Company. The Company has a limited operating history and there can be no assurance of its ability to operate its projects profitably. While the Company may in the future generate additional working capital through the operation, development, sale or possible joint venture of its properties, there is no assurance that the Company will be capable of producing positive cash flow on a consistent basis or that any such funds will be available for exploration and development programs.

- *Uninsurable risks or self-insured risks* –Exploration, development and production operations on mineral properties involve numerous risks, including unexpected or unusual geological operating conditions, rock bursts or slides, fires, floods, earthquakes or other environmental occurrences, and political and social instability. It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any further profitability and result in increasing costs and a decline in the value of the securities of the Company. The Company does not maintain insurance against political or environmental risks.

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. The Company has sufficient working capital to complete its planned 2005 exploration programs and, should it be successful in discovering an economic ore body, due to its proximity to China, has access to a market which has a strong demand for raw materials and precious metals.

April 11, 2005