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

June 30, 2005

(Stated in U.S. Dollars)

(Unaudited)

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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.

Option Agreement with BHP Billiton World Exploration Inc.

In July, 2005 the company signed an Option Agreement with BHP Billiton World Exploration Inc. (BHP Billiton) on 3,629 square kilometres (the West Falcon Gobi Area) located within the Company's West Gobi Property in southern Mongolia.

Under the terms of the Option Agreement, BHP Billiton has been granted a first option to earn a 50% interest in the West Falcon Gobi Area by spending $2,000,000 on exploration prior to December 31, 2007. The expenditures include an initial commitment to conduct a Falcon™ airborne gravity gradiometer survey over the West Falcon Gobi Area before December 31, 2006. Following the completion of the first option, BHP Billiton has a second option to earn an additional 20% interest (for a total interest of 70%) in the West Falcon Gobi Area by funding a feasibility study on one exploration target up to a maximum value of $45,000,000.

BHP Billiton also agreed to purchase Units of the Company with a total value of US$1,000,000. The Units comprise one common share and one warrant to purchase one half of a common share of the Company. Subsequent to June 30, 2005 BHP Billiton completed the purchase of Units and acquired 1,153,998 common shares, or approximately 7.31% of the issued and outstanding shares of the Company. The warrants have a term of two years and an exercise price of Cdn.$1.395 per share.

Option Agreement with Solomon Resources Limited

In August, 2005, the Company entered into a letter of intent with Solomon Resources Limited (Solomon) on four properties which comprise an area of 31,258 hectares in the Gobi region of Southern Mongolia. Under the terms of this agreement, the Company has been granted an option to earn up to a 70% interest in these properties in two stages. The closing of a definitive option agreement is subject to due diligence by the Company and approval by the TSX Venture Exchange. Upon signing the definitive option agreement, the Company has agreed to pay Solomon $50,000 and issue to Solomon 100,000 common shares of the Company.

To exercise stage 1, the Company must pay Solomon $325,000, issue to Solomon common shares of the Company valued at $600,000 and fund and carry out an exploration program of $1.8 million within a three-year period from the date of the definitive agreement. To exercise stage 2, the Company must fund and carry out a $2.5 million exploration program on each of the projects it intends to retain within a five-year period of the definitive agreement.

The Company can earn an additional 10% interest in each of the properties should certain parties convert their underlying 20% property interest into a net smelter royalty.

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 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

Financial Instruments

On January 27, 2005, the CICA issued Section 3855 of the Handbook entitled Financial Instruments - Recognition and Measurement. It builds upon 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 has adopted this standard in its fiscal year ending December 31, 2005.

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

Comprehensive Income

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. Financial 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 financial assets.

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 has adopted 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 August 3, 2005, the Company held 105 exploration licenses in Mongolia covering an aggregate area of approximately 3.9 million hectares ("ha"). Seventy 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. Nine of the remaining licenses are known as the Oyut Ovoo property and are located approximately 270 km southwest of Ulaan Baatar. In addition, nineteen licenses are held in Dornod Aimag which is located approximately 300 km northeast of Ulaan Baatar, four licenses are held in Khuvsgul Aimag in northern Mongolia and a further three licenses are held in other areas of 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.

Exploration Programs

Oyut Ovoo Property

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; 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 were completed in April 2005. Interpretation of the results of this program was completed in May, 2005. Between three and five follow up drill holes are planned for the second half of 2005.

Western Gobi Property

Exploration on these licences is directed towards discovering epithermal gold deposits and porphyry copper deposits. In 2003 a total of 40 Landsat anomalies were identified of which 23 received reconnaissance site visits during the same year. Nine of these anomalies were selected for detailed mapping and sampling in 2004. Drill targets defined at three of the targets were drilled in 2004.

A new round of target generation using Aster satellite data was initiated in late 2004. A total of 138 Aster anomalies were identified of which 33 were visited in 2004 and 35 in the first half of 2005. Eighteen of these targets were selected for detailed mapping and sampling. Geophysical surveys, including IP and magnetics, are being used to help in defining drill targets. Drilling is expected to commence in late August 2005.

Regional stream sediment sampling is also being used to screen large areas within the licenses for significant copper or gold mineralization.

A 3,629 square kilometre portion of the Western Gobi Property is subject to an option agreement with BHP Billiton.

Dornod Property

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 July 2005, the Company had 19 granted licences for a total of 4,838 square km. The Company is seeking the approval of seven other licences which would provide a consolidated land package suitable for an airborne geophysical survey.

Khuvsgul Property

As of the end of July 2005 four contiguous exploration licences totaling 4,371 square km were owned by the Company with a fifth licence under application. The Company has compiled and interpreted existing published data on these areas and has identified 6 exploration target areas for Black Shale Hosted gold deposits. Between June and July 2005 a total of 304 regional geochemical samples were collected over the two largest target areas that cover a combined area of 566 square km. Results are expected in August and follow up and further regional sampling may be carried out this year

Khovd and Other Properties

The Company currently holds three other licences totaling 1,830 square km elsewhere in Mongolia. On the Khovd Property the Company has compiled existing published data on the area and. reconnaissance mapping and sampling was conducted in July 2005. A total of 50 rock samples were collected for analysis. No work was conducted at the other two properties during the first half of 2005.

Exploration Budget

The Company has adopted an 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. Approximately $1.2 million of these budgeted amounts have been spent to June 30, 2005. In addition, exploration license rental fees aggregating $250,000 have been paid to June 30, 2005 and a further $1.0 million would be payable during the balance 2005 if all existing licenses were maintained. As further results of the 2005 exploration field seasons are analyzed, it is likely that some relinquishments of licenses will occur resulting in a reduction of this commitment.

RESULTS OF OPERATIONS

Overview

The Company is in the exploration stage, and financial results are generally not fully comparable to those of the corresponding periods in the prior year due to potentially significant changes in the nature of the Company's operations. Accordingly, in addition to quarterly comparisons, the current quarter's operating results will be compared to those of the immediately preceding quarter.

SELECTED QUARTERLY DATA

($ in thousands, except per share information)

	2005		**2004**				**2003**	
QUARTER ENDED	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep
Exploration expenses	$ 1,008	$ 485	$ 1,260	$ 1,193	$ 962	$ 18	$ (822)	$ 1,319
Net loss	$ 1,372	$ 944	$ 1,451	$ 1,022	$ 1,546	$ 484	$ 728	$ 1,550
Net loss per share	$ (0.09)	$ (0.07)	$ (0.10)	$ (0.07)	$ (0.11)	$ (0.03)	$ (0.21)	$ (0.22)

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, most of the exploration expenditures recorded for the last nine months of 2004 and first six months of 2005 represent costs incurred on the Mongolian projects. There was a slight rise in the Mongolian expenditures throughout the 2004 year as the majority of the work was performed in the 3rd and 4th quarters of 2004 coincident with favourable weather patterns. For the March, 2005 quarter, exploration expenditures decreased as the winter season in Mongolia is restrictive to exploration field activities. Field work resumed in the second quarter of 2005 as reflected by the increase of exploration expenditures in this period to those levels experienced a year earlier in the June, 2004 quarter.

Foreign exchange gains and losses arise primarily from cash balances which are maintained in Canadian funds whereas the reporting currency of the Company is U.S. dollars. Accordingly, fluctuations in the Canada: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 2005 as well as the September quarter of 2003. Cumulative foreign exchange gains for the two-year period ended June 30, 2005 was $492,000.

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		
	June 30, 2005	March 31, 2005	June 30, 2004
	(Unaudited)	(Unaudited)	(Unaudited)
EXPENSES			
Depreciation	**$ 5,322**	$ 6,457	$ 4,653
Exploration	**1,007,519**	484,768	962,072
Investor relations	**5,108**	1,932	11,898
Legal	**22,927**	11,040	10,476
Office and administration	**92,501**	94,155	119,241
Professional fees	**6,959**	4,957	10,024
Salaries and benefits	**106,183**	117,926	120,011
Stock-based compensation	**87,446**	188,513	62,213
Travel	**24,059**	37,000	46,648
	1,358,024	946,748	1,347,236
OTHER (INCOME)/EXPENSES			
Interest income	**(32,677)**	(36,102)	(85,250)
Foreign exchange loss	**46,451**	33,518	234,896
Loss on disposal of subsidiary	**-**	-	49,274
	13,774	(2,584)	198,920
NET LOSS	**$ 1,371,798**	$ 944,164	$ 1,546,156

Three Months Ended June 30, 2005 and 2004

The Company incurred a net loss for the three-months ended June 30, 2005 of $1.4 million as compared to a net loss of $1.5 million for the same period in 2004. This change is due primarily to higher foreign exchange losses in the 2004 period which was partially offset by lower administrative costs in the 2005 period.

Exploration expenses during the 2005 period were $1.0 million as compared to exploration costs of $962,000 in the 2004 quarter. In the 2005 period, $910,000 was spent on field work on the Company's Mongolian exploration licenses and a further $97,000 was spent on exploration reconnaissance activities in Indonesia and Siberia. The entire 2004 expenditure of $962,000 was spent on exploration activities on the Mongolian exploration licenses.

Salary costs and office and administration fees decreased by an aggregate of $41,000 in the 2005 quarter versus those incurred in the same period in 2004. Of this amount, $21,000 was a decrease in the amount of insurance premiums recorded for the 2005 period due to both lower policy costs and the amortization of current period premiums versus a practice of expensing premiums in previous years. The balance is due to decreased salary allocations during the 2005 quarter. 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.

Stock-based compensation expense recorded for the 2005 quarter was $87,000 as opposed to an amount of $62,000 in 2004. This difference reflects the vesting pattern of the underlying stock options that gave rise to the compensation expense.

Investor relations costs were lower in the 2005 period as certain costs incurred in the 2004 quarter in respect of conference registrations and printed materials were not duplicated in 2005.

Legal fees increased in the 2005 period due to costs incurred in respect of the agreement with BHP Billiton. Otherwise, legal fees were incurred on a relatively consistent basis throughout the June 2005 and 2004 periods; the majority of these charges were for costs associated with the Company's regulatory affairs including issues associated with corporate governance, filing, registration and disclosure. Professional fees for both the June, 2005 and 2004 quarters represent the cost of quarterly reviews of the Company's financial statements.

Travel costs were lower in the 2005 quarter as there were fewer trips to the Company's project locations made by administrative personnel during this period.

A foreign exchange loss of $46,000 was recorded in the 2005 quarter versus a loss of $235,000 for 2004. 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.

Three Months Ended June 30, 2005 and March 31, 2005

The Company incurred a net loss for the three-months ended June 30, 2005 of $1.4 million as compared to a net loss of $944,000 for the preceding three month period. This change is primarily due to an increase in exploration expenditures from the March quarter to the June quarter.

Exploration expenses during the March period were $485,000 as compared to $1.0 million in the June period, most of which were spent on the Company's Mongolian properties. The majority of expenditures incurred in the June quarter include costs for geological and geophysical consultants, assaying, camp costs, property license fees and salaries whereas the March, 2005 expenditures include primarily geological consultants, property license fees and salary costs. Property license fees increased by $200,000 in the June quarter over those costs incurred in the March quarter as a greater number of annual license payments became due in the current period. The balance of increase in exploration expenditures on the Mongolian properties reflects a seasonal increase in exploration field activities during the spring months in Mongolia.

Stock-based compensation expense recorded for the June quarter decreased by $101,000 versus the corresponding amount recorded in March. This difference reflects the vesting pattern of the underlying stock options that gave rise to the compensation expense.

The balance of administration costs remained virtually unchanged on a quarter over quarter basis, $263,000 for the June quarter versus an amount of $273,000 for the March quarter.

A foreign exchange loss of $46,000 was recognized in the June quarter as opposed to a loss of $34,000 in the first three months of 2005. These amounts are primarily reflective of the declining value of the Canadian dollar versus its U.S. counterpart during these periods and the effect this decline had on Canadian dollar denominated cash balances.

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2005	2004	**2005**	2004
EXPENSES				
Depreciation	**$ 5,322**	$ 4,653	**$ 11,779**	$ 5,573
Exploration	**1,007,519**	962,072	**1,492,287**	980,001
Investor relations	**5,108**	11,898	**7,040**	26,526
Legal	**22,927**	10,476	**33,967**	39,258
Office and administration	**92,501**	119,241	**186,656**	199,545
Professional fees	**6,959**	10,024	**11,916**	21,094
Salaries	**106,183**	120,011	**224,109**	237,259
Stock-based compensation	**87,446**	62,213	**275,959**	136,087
Travel	**24,059**	46,648	**61,059**	82,030
	1,358,024	1,347,236	**2,304,772**	1,727,373
OTHER (INCOME)/EXPENSES				
Interest income	**(32,677)**	(85,250)	**(68,779)**	(109,206)
Foreign exchange loss	**46,451**	234,896	**79,969**	345,334
Other	**-**	-	**-**	17,418
Loss on disposal of subsidiary	**-**	49,274	**-**	49,274
	13,774	198,920	**11,190**	302,820
NET LOSS	**$ 1,371,798**	$ 1,546,156	**$ 2,315,961**	$ 2,030,193

Six Months Ended June 30, 2005 and 2004

The Company incurred a net loss for the six-months ended June 30, 2005 of $2.3 million as compared to a net loss of $2.0 million for the same period in 2004. This change is due primarily to higher exploration expenditures in the 2005 period. Higher foreign exchange losses in the 2004 period partially offset the effect these increased exploration costs had on the comparative net losses of the respective periods.

Exploration expenditures during the 2005 period were $1.5 million as compared to expenditures of $980,000 in the 2004 period. In the six-months ended June 30, 2005, $1.3 million was spent on field work on the Company's Mongolian exploration licenses and a further $239,000 was spent on exploration reconnaissance activities in Indonesia and Siberia. Exploration expenditures to June 30, 2004 included $1.2 million on the Mongolian properties and $1.2 million on exploration and operations at the Eunsan mine in Korea. However, these expenses were offset by the sale of concentrate at Eunsan in the amount of $1.4 million resulting in the net exploration cost recovery at

Eunsan of $202,000 for this period. The increase in expenditures on the Mongolian properties in the June, 2005 quarter reflects primarily higher license fee costs during the current period.

Salary costs and office and administration fees remained virtually unchanged from period to period reflecting periods of relative administrative stability.

Investor relations costs were lower in the 2005 period as certain costs incurred in 2004 in respect of conference registrations and printed materials were not duplicated in 2005.

Legal fees were incurred on a relatively consistent basis throughout the June 2005 and 2004 periods; the majority of these charges were for costs associated with the Company's regulatory affairs including issues associated with corporate governance, filing, registration and disclosure. Professional fees for both the June, 2005 and 2004 periods represent the cost of quarterly reviews of the Company's financial statements; these costs were higher for the 2004 period as certain costs associated with the 2003 audit were incurred in this period.

Travel costs were lower in the 2005 period as there were fewer trips to the Company's project locations made by administrative personnel during this period.

Stock-based compensation expense recorded for the six-months ended June 30, 2005 was $276,000 as opposed to an amount of $136,000 in 2004. This difference reflects the vesting pattern of the underlying stock options that gave rise to the compensation expense.

Lower interest income during the 2005 period reflects lower average cash balances during this period. A foreign exchange loss of $80,000 was recorded in the 2005 period versus a loss of $345,000 for 2004. 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.

LIQUIDITY AND CAPITAL RESOURCES

The balance sheets as at June 30, 2005 and December 31, 2004 are shown in the following table for ease of reference.

		June 30, 2005		December 31, 2004
ASSETS				
CURRENT				
Cash and cash equivalents	**$**	**5,050,841**	$	8,222,182
Accounts receivable		**27,914**		79,737
Prepaid expenses		**439,265**		124,276
		5,518,020		8,426,195
MINERAL PROPERTIES		**158,384**		158,384
PLANT AND EQUIPMENT		**122,988**		114,528
	$	**5,799,392**	$	8,699,107
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities	**$**	**175,691**	$	1,035,404
SHAREHOLDERS' EQUITY				
Common shares		**14,183,003**		14,183,003
Contributed surplus		**794,055**		518,096
Deficit		**(9,353,357)**		(7,037,396)
		5,623,701		7,663,703
	$	**5,799,392**	$	8,699,107

At June 30, 2005, the Company had a working capital balance of $5.3 million and cash resources of $5.1 million. Budgeted expenditures for the balance of 2005 are $2.1 million, consisting of exploration and administrative expenditures in Mongolia of $1.4 million and corporate administrative costs of $700,000. In addition, Mongolian exploration license rental fees aggregating $1.0 million would be payable during the balance of 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 six months ended June 30, 2005, the Company spent $3.1 million on operations and made expenditures on equipment in the amount of $29,000.

At June 30, 2005, the Company had approximately $3.7 million in Canadian funds which amount exposes the Company to risks associated with foreign exchange fluctuations. Due to a weakening in value of the Canadian dollar versus its U.S. counterpart during the first half of 2005, foreign exchange losses in the amount of $80,000 in the Company's Canadian dollar denominated cash holdings were recorded during this period, all of which were unrealized at June 30, 2005.

Despite the foregoing, the Company does not have sufficient funds or the ability to generate additional funds necessary to perform 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 $325,000 and $332,000 for the six-month periods ended June 30, 2005 and 2004, respectively.

In connection with the acquisition of the exploration licenses from Ivanhoe Mines Ltd., the Company and Ivanhoe Mines entered into a technical consulting agreement. Under the terms of this agreement, the Company retained Ivanhoe Mines to conduct exploration activities using Ivanhoe Mines' infrastructure on a cost recovery basis from time to time. The Company reimbursed Ivanhoe Mines $207,000 during 2004 and has incurred no costs during the six-month period ended June 30, 2005 in respect of these agreements.

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 August 25, 2005: 15,776,347 common shares were issued and outstanding; 1,970,000 share purchase options had been granted and were outstanding; and 1,653,998 warrants to purchase 1,076,999 common shares had been issued and were outstanding. On a fully diluted basis, 18,823,346 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 may be 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. Should it be successful in discovering an economic ore body, the Company has access to a market which has a strong demand for raw materials and precious metals due to its proximity to China.

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