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

December 31, 2005

(Stated in U.S. Dollars)

ASIA GOLD CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
December 31, 2005
(Stated in U.S. Dollars)

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, Bulgaria and Indonesia. Asia Gold Corp. trades on the TSX Venture exchange under the symbol ASG.

Recent Developments

Amended agreement with BHP Billiton World Exploration Inc. ('BHP')

The Company and BHP have signed an amended option agreement dated March 1, 2006 that expands the area and scope of the original option agreement signed on June 1, 2005. The area covered under this amended agreement (the 'West Falcon Gobi Property') has been increased by 4,019 square kilometres ('km^2') to 7,648 km^2 and the scope has been amended to include coal targets in addition to the copper-gold targets contemplated in the original option agreement. The amended agreement requires BHP to increase exploration expenditures to $3.5 million (from the original agreed amount of $2 million) during the earn-in period which terminates on December 31, 2007. In addition, BHP has committed to exercise all of the 1,153,998 share purchase warrants prior to July 4, 2006 for net proceeds to the Company of CDN $804,913.

Earn-in Agreement with Gobi Gold Inc. ('Gobi')

The Company entered an agreement with Gobi on February 13, 2006 whereby the Company granted Gobi the right to earn up to an 80% interest in seven mineral licenses covering 21,010 hectares in the Gobi region of Mongolia. The option to earn an 80% interest in these properties can be exercised in two stages. To earn an initial 55% interest, Gobi must make a payment of $20,000 to the Company; issue to the Company common shares of Gobi valued at $190,000 in four tranches over three years and incur $360,000 in exploration expenditures on the licenses over three years. To earn an additional 25% interest in the licenses, Gobi must incur $1 million of further exploration expenditures on the licenses during an additional two-year period.

Memorandum of Understanding with PT Harita Multi Karya Mineral ('HMKM')

The Company signed a memorandum of understanding with HMKM on January 19, 2006 to develop a joint venture to explore the Kaputusan prospect, a 25,775 hectare exploration lease located in Indonesia. Under the terms of this agreement, the Company can earn up to an 85% interest in the Kaputusan prospect by spending $300,000 on exploration during the first year of the joint venture. Thereafter, the Company will be responsible for funding 100% of any project costs through to potential commercial mine production.

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, 2005.

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.

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.

MINERAL 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") and an update to this report dated August 31, 2005 prepared by A.W. Gourlay, P.Geo, a senior geologist employed at that time by the Company and a qualified person for NI 43-101; both of these reports 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 or has been disclosed herein was prepared by, or under the supervision of, Mr. David C. Owens, P.Geo., the President of the Company and Richard R. Gosse, P.Geo, the Vice President Exploration of the Company, both "qualified persons" for the purposes of NI 43-101.

Mongolia Exploration Licenses

As of March 10, 2006 the Company held 104 exploration licenses in Mongolia covering an aggregate area of approximately 3.4 million hectares ("ha"). Sixty-five of these licenses comprising an area of approximately 1.9 million ha, the Western Gobi Properties, 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, twenty licenses are held in Dornod Aimag which is located approximately 300 km northeast of Ulaan Baatar, five licenses are held in Khuvsgul Aimag in northern Mongolia and a further five 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

EXPLORATION EXPENSES

	Year ended December 31, 2005	Year ended December 31, 2004
Mongolia Properties		
Western Gobi properties	**$ 2,688,028**	$ 2,841,507
Khongor project	**365,960**	-
Naran Bulag project	**215,112**	22,633
Oyut Ovoo property	**76,234**	458,925
Dornod property	**28,759**	41,643
Khuvsgul property	**96,998**	-
Khovd and Other properties	**306,137**	270,977
	3,777,228	3,635,685
Bulgarian Properties	**597,437**	-
Indonesia	**157,471**	-
Generative Expenses	**123,061**	-
South Korea	**-**	(202,367)
	$ 4,655,197	$ 3,433,318

West 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. 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. Regional stream sediment sampling is also being used to screen large areas within the licenses for significant copper or gold mineralization. More than a 1,000 stream sediment samples were collected in 2004 and 2005 and numerous anomalies have been followed up. This work led to the discovery of both the Khongor porphyry system and the Naran Bulag project in 2005 (see below).

Khongor Project

Exploration results from the Khongor porphyry copper-gold project in southern Mongolia confirm a mineralized strike length of 2 km. About half of this strike length is located on the Tsakhir license optioned by Asia Gold from Solomon Resources Ltd. and Gallant Minerals Ltd. The balance is located within the West Falcon Gobi Property, a joint-venture property with BHP.

In the second half of 2005 geological mapping, a detailed ground magnetometer survey and rock-chip sampling of all outcropping mineralization and rock alteration was carried out. Five holes totaling 935 metres were drilled before the year ended. All five holes encountered mineralization including a 70 metre interval grading 0.67 % copper and 0.16 g/t gold in hole 3.

For 2006, an induced polarization survey is planned for April and a 3,000 metre drill program is planned to start in May.

Naran Bulag Project

The Company announced the discovery of 13 quartz veins containing visible gold at Naran Bulag on a 100% owned exploration license in southern Mongolia in 2005. The veins occur over a distance of 2.5 km's and initial fire assay results indicate gold grades averaging between 30 grams per tonne gold (0.96 ounces per ton) and 165 grams per tonne gold (5.30 ounces per ton) in seven of the veins. A 7,000 metre trenching program that commenced in October, 2005 confirmed the high grade gold in five main veins and revealed two new veins which were found within 2 km of the main vein system.

Further mapping and a 3,000 metre reverse circulation/diamond drill program is planned to begin in March 2006.

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. No work was carried out in 2005; site visits to several copper occurrences are planned for 2006.

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 of March 2006, the Company had 20 granted licences for a total of 4,974 km^2. The Company continues to seek the approval of seven other licences which would provide a consolidated land package suitable for an airborne geophysical survey.

Khuvsgul Property

As of March 2006, five contiguous exploration licenses totaling 4,516 km^2 were owned by the Company with a sixth license 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 km^2. A number of anomalies were identified including three adjacent catchments with anomalous gold-arsenic-tellurium. Results will be followed up by additional high density stream sediments sampling, prospecting and mapping. This follow up program is planned to commence in June 2006.

Khovd and Other Properties

The Company currently holds five other licenses totaling 2778 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. The results of a total of 50 rock samples collected in July 2005 are not encouraging. No work has been conducted on any of the five properties since that time.

Bulgarian Properties

The Rozino license (161.7 km^2) is located in southern Bulgaria within the Tertiary Rhodope Metallogenic Belt. The license includes the Tashlaka Hill low-sulphidation epithermal gold system. Previous work by the Bulgarian government and the Company's joint venture partner, Hereward Ventures Bulgaria AD ('Hereward'), which includes 118 drill holes, has outlined a broad zone of structurally controlled low grade gold mineralization. Diamond drilling has also identified discrete high-grade shoots within the broad mineralized zone. The structural control to the higher-grade mineralization is poorly understood and further technical work and drilling is required to test the potential for high-grade mineralization at Tashlaka Hill. A 1,200 metre drilling program to test the Tashlaka Hill gold system is scheduled to begin in April 2006.

An epithermal breccia system has recently been recognized about 1.0 km. southwest of the Tashlaka Hill gold system. The breccia has a strike length of 500 metres and a width of up to 50 metres. A five-hole diamond drilling program to test the new breccia zone was completed in early September 2005. Three of the five drill holes intersected low-grade gold mineralization.

Intrusion related gold mineralization associated with Cretaceous granites is found at several locations on the Dobroselets license (92.9 km^2.) in southeastern Bulgaria. The most significant is the Chaira gold deposit which was discovered and drilled by the Bulgarian government in the 1980s. Gold mineralization occurs in a sub-vertical sheeted vein system within a broad zone of quartz-sercite-carbonate-sulphide alteration measuring 1.5 km. by 2.5 km. In 2006, the Company plans to conduct ground magnetics and induced polarization ('IP') surveys over this zone prior to a drilling program.

Gold mineralization has recently been discovered on the Polski Gradets license (82.4 km^2) in association with silicified Triassic carbonate rocks. Trenching and drilling by Hereward on the Vladimirovo prospect has outlined gold bearing carbonate rocks over a strike length of 1.6 kms and widths measuring up to 30 metres. Geological mapping, sampling and follow-up drilling is required to establish the style and control of the gold mineralization.

The Gornoseltsi license (154.9 km^2) in southern Bulgaria hosts several structurally controlled low sulphidation epithermal gold prospects. The most attractive of these prospects is the Dornoseltsi prospect where a two-metre wide vein exposed in a recent trench exhibits strong epithermal textures including bladed carbonate pseudomorphs, crustiform-colloform banded veins and massive chalcedony.

Subsequent to December 31, 2005, three of the four mineral licenses in Bulgaria expired and, despite extension applications having been lodged, the licenses have not, to date, been extended by the government of Bulgaria. It is uncertain when, or if, these extensions will be approved. Pending approval of extensions to these expired mineral licenses, the Company has suspended all of its exploration activities in Bulgaria.

Kapustusan Project, Indonesia

Company geologists visited the Kaputusan porphyry copper/gold deposit on the western side of Bacan Island, Maluku, Indonesia in January 2005. The porphyry was discovered upstream of placer gold deposits during a joint Indonesian-German regional program carried out from 1977 to 1979. Subsequent exploration included 5,550 metres of trenching and 1,575 metres of NQ/BQ drilling in ten holes during 1983 to1984.

The best drill intercepts recorded are 48 metres at 0.37% Copper (‘Cu’) and 0.65 grams per tonne (‘g/t’) gold (‘Au’) (hole 3; 6-54 metres) and 153 metres at 0.33% Cu and 0.28 g/t Au (hole 7; 51-204 metres). The best trench interval is 80 metres at 0.50% Cu and 0.39% Au including 44 metres at 0.60% Cu and 0.50 g/t Au. However, the Company believes core analyses may underestimate the true grades; overall recovery in the ten holes was only 54% with an average 41% in mineralized intervals. Leaching and secondary enrichment has also occurred.

Camp construction, line cutting and logistical preparation is now well underway on the Kaputusan porphyry copper-gold project. A first-stage exploration program comprising geological mapping, an IP geophysical survey and trenching is planned to begin in late March 2006. Conditional on results from the stage one program, the Company plans to drill test the copper-gold mineralization in the third quarter of 2006.

Exploration Budget

Subject to financing, the Company adopted an exploration budget for 2006 in the amount of $4.1 million and, subject to the results of this work and formal adoption, has planned an additional contingent budget amount of $4.0 million. This budget includes exploration license rental fees of $1.3 million that would be payable during 2006 on those existing licenses in Mongolia that the Company is planning to maintain. As further results of the 2005 and 2006 exploration field seasons are analyzed, it is likely that some relinquishments of licenses will occur during 2006.

SELECTED ANNUAL INFORMATION

($ in thousands, except per share information)	Year ended December 31,		
	2005	2004	2003
Exploration expenses	$ 4,655	$ 3,433	$ 518
Net loss	6,214	4,503	2,278
Net loss per share	(0.41)	(0.31)	(0.43)
Cash and cash equivalents	3,125	8,222	11,869
Total assets	3,775	8,699	13,472

For each of the years ended December 31, 2005, 2004 and 2003, 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 both 2005 and 2004 were higher than that experienced in previous years as the exploration programs did not commence in earnest until 2004 concurrent with the newly available funding. Exploration expenditures increased in 2005 as the scope of projects increased during this year. Total assets consist primarily of cash, which have declined on a year to year basis as these funds have been utilized for operations.

RESULTS OF OPERATIONS

		Year ended December 31, 2005		Year ended December 31, 2004
EXPENSES				
Depreciation	**$**	**16,868**	$	15,931
Exploration, net of incidental revenues		**4,655,197**		3,433,318
Investor relations		**27,381**		48,523
Legal		**54,506**		73,256
Office and administration		**408,969**		402,060
Professional fees		**92,728**		67,521
Salaries and benefits		**473,068**		501,724
Stock-based compensation		**538,452**		277,919
Travel		**123,161**		149,932
		6,390,330		4,970,185
OTHER (INCOME)/EXPENSES				
Interest income		**(127,653)**		(197,932)
Foreign exchange gain		**(74,747)**		(335,482)
Write-down of mineral property		**26,028**		-
Loss on disposal of subsidiary		**-**		49,274
Other		**-**		17,418
		(176,372)		(466,722)
NET LOSS	**$**	**6,213,958**	$	4,503,463

Year Ended December 31, 2005 and 2004

The Company incurred a net loss of $6.2 million for the year ended December 31, 2005 as compared to a net loss of $4.5 million for the preceding year. The increase in net loss in the 2005 year is primarily attributable to increases in exploration activity.

Exploration expenses during 2005 were $4.7 million as compared to $3.4 million in the 2004 period. The 2004 amount includes expenditures of $3.6 million on the Mongolian properties and a net credit of $202,000 on the Korean project; total expenditures in Korea in 2004 were $1.2 million which was offset by incidental revenues from the sale of gold-silver concentrate in the amount of $1.4 million. The 2005 exploration amount represents expenditures of $3.8 million on the Mongolian properties, $597,000 on the Bulgarian properties and $281,000 on other reconnaissance exploration activities. The year to year increase in the cost of exploration programs is primarily attributable to initiation of Bulgarian operations as well as the elimination of the Korean credit amounts. In Mongolia, the Company's primary focus, the scope and nature of exploration activities remained largely unchanged from 2004 to 2005.

Stock based compensation in the amount of $538,000 was recognized in 2005 and $278,000 in 2004. 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.

The balance of administrative costs was $1.2 million in 2005 and $1.3 million in 2004.

Investor relations expenditures include certain costs associated with news releases, trade shows and printed promotional materials. These costs decreased in 2005 as the Company attended fewer trade shows during this year which resulted in lower conference and printing costs.

Legal fees of $55,000 incurred in the 2005 year decreased by $19,000 over those from 2004. The majority of legal costs for 2004 were incurred in respect of the closing of the sale of the Company's Korean assets in July 2004. Legal costs for 2005 include costs associated with property agreements with BHP, Solomon Resources Ltd. and the acquisition of property interests in Bulgaria. In addition, during both 2004 and 2005 general legal costs were incurred in respect of the Company's Annual General Meeting and other regulatory affairs, including issues associated with corporate governance, filings, registration and disclosure.

Office and administration costs and salaries remained virtually unchanged from 2004 to 2005 with a $7,000 increase in the former and a $28,000 decrease in the latter. Aggregate office and administration costs and salary expenses for 2005 and 2004 were $882,000 and $904,000, respectively. 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.

Professional fees of $93,000 were incurred during 2005 and include the estimated cost of the Company's annual audit, costs for the review of quarterly financial statements and costs associated with management recruitment activities. Professional fees of $68,000 incurred during 2004 include primarily the cost of the Company's annual audit as well as costs for the review of quarterly financial statements.

Travel expenses decreased by $27,000 from 2004 to 2005 as the projects in Mongolia reached a state of administrative maturity which necessitated fewer trips by management in the current year. Travel costs include airfares and accommodation for the Company's management personnel who traveled to operational locations in Mongolia and Bulgaria and other prospective locations throughout Asia.

A foreign exchange gain of $335,000 was recorded in 2004 versus a gain of $75,000 for 2005. 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 $9,000 of the gain recorded in 2005 is unrealized.

Interest income decreased significantly from 2005 to 2004, which is reflective of 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)

	2005				2004			
QUARTER ENDED	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar
Exploration expenses	$ 1,705	$ 1,457	$ 1,008	$ 485	$ 1,260	$ 1,193	$ 962	$ 18
Net loss	2,174	1,724	1,372	944	1,451	1,022	1,546	484
Net loss per share	(0.15)	(0.11)	(0.09)	(0.06)	(0.10)	(0.07)	(0.11)	(0.03)

The changes in comparative results of operations on a quarter over quarter basis are due primarily to significant fluctuations in three areas: exploration expenses, stock-based compensation charges, and foreign exchange gains and losses.

Exploration expenses were lower during the 2004 March quarter as incidental revenues were realized from the sale of ore concentrate at the Eunsan project in South Korea during this period. 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 nine months of 2005 represent costs incurred on the Mongolian projects. Exploration expenses for the fourth quarter 2005 also include costs incurred on the Bulgarian properties. There was a slight rise in the Mongolian expenditures throughout the 2004 year as the majority of the work was performed in the 3^{rd} and 4^{th} quarters of 2004 coincident with favourable weather conditions. This same expenditure pattern is repeated during the 2005 year. Exploration expenditures decrease in the winter season in Mongolia as weather conditions are restrictive to exploration field activities.

Stock-based compensation expense reflects both the number of options granted during a given period and the vesting pattern of the underlying stock options that gave rise to the compensation expense resulting in fluctuations in this expense on a quarterly basis.

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 third and fourth quarters of both 2005 and 2004, whereas losses were recorded in the first six months of both 2004 and 2005. Cumulative foreign exchange gains for the two-year period ended December 31, 2005 were $410,000.

	Three Months Ended	
	December 31, 2005 (Unaudited)	December 31, 2004 (Unaudited)
EXPENSES		
Depreciation	**$ 2,497**	**$ 6,267**
Exploration	**1,706,146**	**1,260,145**
Investor relations	**12,643**	**7,274**
Legal	**4,914**	**10,947**
Office and administration	**113,993**	**101,091**
Professional fees	**56,557**	**37,117**
Salaries and benefits	**126,564**	**134,364**
Stock-based compensation	**113,080**	**73,249**
Travel	**42,947**	**33,679**
	2,179,341	**1,664,133**
OTHER (INCOME)/EXPENSES		
Interest income	**(29,040)**	**(39,771)**
Foreign exchange gains	**(2,800)**	**(173,056)**
Write-down of mineral property	**26,028**	**-**
	(5,812)	**(212,827)**
NET LOSS	**$ 2,173,529**	**$ 1,451,306**

Three Months Ended December 31, 2005 and 2004

The Company incurred a net loss for the three-months ended December 31, 2005 of $2.1 million as compared to a net loss of $1.5 million for the same period in 2004. This change is due primarily to higher exploration expenditures combined with a lower foreign exchange gain in the 2005 period.

Exploration expenses during the 2005 period were $1.7 million as compared to exploration costs of $1.3 million in the 2004 quarter. In the 2005 period, $1.3 million was spent on field work on the Company's Mongolian exploration licenses and a further $450,000 was spent on exploration reconnaissance activities in Bulgaria, Indonesia and Siberia. The entire 2004 expenditure of $1.3 million was spent on exploration activities on the Mongolian exploration licenses.

Salaries, investor relations costs and office and administration expenses were virtually unchanged for the 2005 quarter versus the same period in 2004. 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 $113,000 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.

Legal fees decreased slightly in the 2005 period; 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 increased for the December 2005 quarter as $15,000 was spent on management recruitment activities, the balance of expenditures for the 2005 and 2004 quarters represent the accrued cost of the audit of the Company's financial statements.

Travel costs were higher in the 2005 quarter as the commencement of the Bulgaria and Indonesian projects necessitated more trips to the Company's project locations during this period by administrative personnel.

A foreign exchange gain of $3,000 was recorded in the 2005 quarter versus a gain of $173,000 for 2004. 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. Canadian dollar cash deposits decreased to Cdn.$700,000 at December 31, 2005 from Cdn.$4.6 million at December 31, 2004.

LIQUIDITY AND CAPITAL RESOURCES

	December 31, 2005	December 31, 2004
ASSETS		
CURRENT		
Cash and cash equivalents	$ **3,125,000**	$ **8,222,182**
Accounts receivable	**123,370**	**79,737**
Prepaid expenses	**137,429**	**124,276**
	3,385,799	**8,426,195**
MINERAL PROPERTIES	**260,726**	**158,384**
PLANT AND EQUIPMENT	**128,428**	**114,528**
	$ **3,774,953**	$ **8,699,107**
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ **692,699**	$ **1,035,404**
SHAREHOLDERS' EQUITY		
Common shares	**15,287,221**	**14,183,003**
Contributed surplus	**1,046,386**	**518,096**
Deficit	**(13,251,353)**	**(7,037,396)**
	3,082,254	**7,663,703**
	$ **3,774,953**	$ **8,699,107**

At December 31, 2005, the Company had a working capital balance of $2.7 million and cash resources of $3.1 million. Budgeted expenditures for 2006 are $5.5 million, consisting of exploration expenditures of $4.1 million which is contingent on financing, and corporate administrative costs of $1.4 million. The Company has also provided for an additional 2006 exploration budget amount of $4.0 million contingent on results of exploration activities from the initial 2006 exploration program.

During the year ended December 31, 2005, the Company had a cash outflow from operations of $6.0 million, spent $50,000 on the acquisition of mineral property interests, and made expenditures on equipment in the amount of $50,000. Proceeds of $1.0 million were received during 2005 from the issue of common shares.

The Company does not have sufficient funds or the ability to generate additional funds necessary to perform its planned 2006 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 September 1, 2003 and has incurred costs of $690,000 and $724,000 for the years ended December 31, 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 year ended December 31, 2005 in respect of these agreements. The Company incurred costs of $40,000 from Ivanhoe Mines during the year ended December 31, 2005 in respect of certain information technology services provided to the Company at its exploration office in Mongolia.

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.

The Company entered into an agreement with Ivanhoe Mines to acquire their interest in a joint venture agreement with Hereward Ventures Plc to explore four mineral licenses in Bulgaria. The licenses have a total area of 491.9 square kilometres and are located within established metallogenic belts prospective for epithermal gold, sediment hosted and intrusion related gold deposits.

OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares without par value. As at April 6, 2006: 15,895,580 common shares were issued and outstanding; 2,199,000 share purchase options had been granted and were outstanding; and 1,153,998 warrants to purchase 576,999 common shares had been issued and were outstanding. On a fully diluted basis, 18,671,579 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's 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.
- *Foreign countries and regulatory requirements* – Mineral exploration, development and mining activities may be affected in varying degrees by political stability, government regulations relating to the mining industry and foreign investments therein, and the policies of other nations in respect of these countries. Any changes in regulations or shifts in political conditions are beyond the control of the Company and may adversely affect its business. Operations may be affected in varying degrees by government regulations, including those with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, employment, land use, water use, environmental legislation and mine safety. In certain areas where the Company is active, the regulatory environment is in a state of continuing change, and new laws, regulations and requirements may be retroactive in their effect and implementation. Operations may be affected in varying degrees by political and economic instability, economic or other sanctions imposed by other nations, terrorism, military repression, crime, extreme fluctuations in currency exchange rates and high inflation. It may be more difficult for the Company to obtain any required project financing for projects located in certain countries as lending institutions may not be willing to finance projects in developing countries due to the possible investment risk.
- *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 some 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, Bulgaria and Indonesia, and identification and acquisition of new mineral property exploration opportunities. Financing activities anticipated during 2006 will be key to carrying out these planned exploration programs. Should it be successful in discovering an economic ore body in Mongolia, the Company has access to a market which has a strong demand for raw materials and precious metals due to its proximity to China.

April 6, 2006