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

December 31, 2006

(Stated in U.S. Dollars)

ASIA GOLD CORP.
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(Unaudited)
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Prepared as of April 17, 2007

OVERVIEW

Asia Gold Corp. (which, together with its subsidiaries, is collectively referred to as the "Company" or "Asia Gold") is a mineral exploration company with a historical focus on precious and base metal exploration and development in Mongolia, Bulgaria and Indonesia. If and when the coal transaction (as defined below) is completed, the Company's principal focus will be on coal exploration and development in Mongolia. Asia Gold Corp. trades on the TSX Venture Exchange under the symbol ASG.

Recent Developments

The Company and Ivanhoe Mines Ltd. ("Ivanhoe" or "IVN") reached a definitive agreement on July 7, 2006 for the Company to acquire Ivanhoe's coal division (the "coal transaction") in exchange for 82,576,383 common shares and preferred shares of the Company. If and when completed, the coal transaction will result in the Company becoming a majority-owned, publicly-traded subsidiary of Ivanhoe, and operating a coal division and a precious and base metal exploration division.

The coal transaction would result in Ivanhoe owning approximately 91.4% of the issued and outstanding shares of Asia Gold and 88.8% on a fully diluted basis. As part of the coal transaction, Ivanhoe agreed to extend a line of credit to the Company of $10 million, which may be increased to $15 million by mutual agreement. If and when the coal transaction is completed, certain coal division expenditures made by Ivanhoe prior to the closing of the coal transaction will be added to the indebtedness outstanding under the line of credit and will be repayable by the Company as if they were advances. The total coal expenditures funded by Ivanhoe from April 25, 2006 to December 31, 2006 are approximately $10.7 million. Subject to regulatory approval, the Company's indebtedness to Ivanhoe under the line of credit can be converted, in whole or in part, into common shares of the Company at the election of either the Company or Ivanhoe.

On August 8, 2006 the coal transaction and the equity conversion rights under the line of credit facility were approved by the Company's minority shareholders at a special meeting convened for that purpose. The closing of the coal transaction remains subject to the fulfillment of certain conditions precedent, including the completion of the transfer of certain mineral exploration licenses in Mongolia, applications for which have been submitted to the relevant Mongolian governmental authorities and are pending approval.

Completion of the transfer of the relevant mineral exploration licenses in Mongolia is taking longer than expected. Ivanhoe Mines and Asia Gold have agreed to extend the closing date of the coal transaction on an indefinite basis in order to accommodate any unanticipated delays in completing the formal license transfer process in Mongolia. In April 2007, Ivanhoe Mines was notified that 29 licenses had been approved for transfer by the Cadastral Office in Mongolia. It is expected that the coal transaction will be completed shortly after the formal license transfer process in Mongolia is concluded. This would include all 35 licenses that are part of the coal transaction.

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 geological data, fluctuating metal prices, the possibility of project cost overruns or unanticipated costs and expenses, uncertainties related to completion of the coal transaction and to the availability of and costs of financing needed in the future and other factors described in this discussion under the heading “Outlook”. Except as required by law, 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.

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, 2006.

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, employees and service providers 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.

NEW ACCOUNTING PRONOUNCEMENTS

The Canadian Institute of Chartered Accountants has issued a new accounting framework for Financial Instruments – Recognition and Measurement. The new framework is effective January 1, 2007. The Company's financial instruments comprise, primarily, of cash and cash equivalents, accounts receivable, accounts payable and loans to Ivanhoe. The fair value of these financial instruments approximates their carrying values due primarily to their immediate or short-term maturity.

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.

Mongolia Exploration Licenses

As of April 17, 2007 the Company held 97 exploration licenses in Mongolia covering an aggregate area of approximately 2.0 million hectares ("ha"). Sixty-three of these licenses comprising an area of approximately 1.3 million ha, the West Gobi Properties, are located in the west-central portion of the Omnogovi Aimag (province) approximately 510 kilometers ("km") southwest of Ulaan Baatar, Mongolia. Three of the remaining licenses are known as the Oyut Ovoo property and are located approximately 270 km southwest of Ulaan Baatar. In addition, eighteen licenses are held in Dornod Aimag which is located approximately 300 km northeast of Ulaan Baatar, eleven licenses are held in Khuvsgul Aimag in northern Mongolia and a further two licenses are held in other areas of Mongolia.

Prior to June 30, 2006, exploration licenses in Mongolia were granted for a period of three years followed by two two-year extensions (for a total of seven years) and required escalating annual rent payments. 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.

In early July 2006, the Government of Mongolia approved new mining legislation. The term for an exploration license has increased from a maximum of seven to nine years, with escalating rate structures varying from $.10 per ha to $1.50 per ha for licenses aged seven to nine years. The maximum mining license term is 70 years reduced from 100 years under the previous 1997 Minerals Law.

Exploration Programs

	Year ended December 31, 2006	Year ended December 31, 2005
Mongolia Properties		
West Gobi properties	**$ 3,570,299**	$ 3,269,100
Oyut Ovoo property	**21,790**	76,234
Dornod property	**102,624**	28,759
Khuvsgul property	**13,509**	96,998
Khovd, Other and Taxes	**304,079**	306,136
	4,012,301	3,777,227
Bulgarian Properties	**1,097,917**	597,437
Indonesia	**963,768**	157,471
Generative Expenses	**40,794**	123,062
	$ 6,114,780	$ 4,655,197

Properties in Mongolia

West Gobi Properties

Exploration on these licences is directed towards discovering porphyry copper–gold deposits and gold in vein systems, which are both epithermal and mesothermal. 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 was also 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 were followed up. This work led to the discovery of both the Khongor copper-gold and the Naran Bulag gold projects in 2005.

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 (Khongor North) is located within the West Falcon Gobi Property, a joint-venture property with BHP Billiton World Exploration Inc ("BHP Billiton"). The balance is located on the Tsakhir license, referred to as Khongor South, which was optioned by the Company from Solomon Resources Limited ("Solomon") and Gallant Minerals Ltd ("Gallant").

Pursuant to an Option Agreement with Solomon and Gallant, Asia Gold had an option to earn up to a 70% interest in Khongor South. On 6th March 2007 Solomon issued a notice of termination of the Gallant-Solomon agreements. Pursuant to these agreements Asia Gold has a 30-day option, beginning on 6th March 2007, to an assignment of the Gallant-Solomon agreements to Asia Gold. On 12th March 2007 the Company signed a Memorandum of Agreement with Gallant to earn an 80% interest in the Tsakhir license.

On or before the first anniversary of the effective date of the initial option agreement (October 5, 2006), the Company had to complete exploration expenditures of not less than $400,000. The agreed upon expenditures were completed. As part of the first earn in right obligations, the Company paid $75,000 to Solomon in September 2006, and in October 2006 issued 95,821 common shares valued at $200,000.

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 on the Khongor porphyry copper-gold prospect. A Phase 1 drilling program totaling 935 meters ("m") in 5 holes (KDPH-01 to KDPH-05) was completed in December 2005. All five holes encountered mineralization including a 70 m interval grading 0.67 % copper and 0.16 grams per tonne (g/t) gold in hole KPDH-03.

An induced polarization ("IP") survey, which was carried out in April 2006 indicates a large chargeability anomaly (1600 m by 380 m) that is broadly coincident with mapped copper mineralization, porphyry style alteration and porphyry dykes (see Asia Gold's website, www.asiagold.com for plans of conductivity and resistivity). The depth extent of the anomaly is 200-500 m and drill hole KPDH-03 lies at the western end of the chargeability anomaly.

The IP survey also identified two smaller parallel zones of high chargeability and low resistivity located 800 m to the southwest and about two km along strike to the northwest. These two new targets require more detailed evaluation.

A Phase 2 drilling program comprising 3,167 m in 18 diamond drill holes (KDPH-6 to KDPH-24) was completed on July 1, 2006. Drill holes KPDH-6 to KPDH-15 targeted the Stockwork Gulch area at Khongor North and were drilled on 50 m spaced sections progressively stepping out to the southwest from Stockwork Gulch and KPDH-3 to test the extent of mineralization beneath an overlying thrust-faulted block of unmineralized sedimentary rocks. All ten holes intersected porphyry style mineralization and six holes (KPDH–6, 7, 8, 9, 13 & 14) intersected high grade hypogene porphyry copper mineralization including a 50.0 m interval grading 1.0% copper and 0.3 g/t gold in hole KPDH-9.

In August 2006 67.3 km of dipole-dipole IP was completed to improve the resolution of the IP survey conducted in April 2006. Results of the IP combined with recent mapping, sampling and ground magnetics defined 4 new drill targets at Khongor North and South.

On the Tsakhir license two new zones of strong quartz stock work were discovered in August 2006, and further work is planned for in 2007.

BHP Billiton West Falcon Gobi Joint Venture

Pursuant to an Option Agreement with BHP Billiton dated June 30, 2005, BHP Billiton can earn a 50% interest in the West Falcon Gobi Property by spending $2 million on exploration prior to December 31, 2007, and an additional 20% interest by funding a feasibility study up to a maximum value of $45 million.

The Company and BHP Billiton have signed an amended option agreement dated March 1, 2006 that expands the area and scope of the original option agreement. 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 Billiton 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.

Under the terms of an amended option agreement, Asia Gold can continue the exploration of Khongor North at its own expense subject to a back-in right in favour of BHP Billiton. This back-in right allows BHP Billiton to include Khongor North in the joint venture company to be established after BHP Billiton has exercised the first option and acquired a 50% interest in the West Falcon Gobi Property. In addition, BHP Billiton must also pay Asia Gold an amount equal to the Khongor exploration costs incurred by Asia Gold.

The West Falcon Gobi Property includes an area of about 2,218 km^2, or about 30% of the total area, where Asia Gold owns a 100% interest in the coal rights. The area includes parts of large, unexplored sedimentary basins that are prospective for Permian age coal. Tavan Tolgoi, a large metallurgical and thermal coal deposit, is 60 km northeast of the West Falcon Gobi Property's eastern boundary. In addition to the area prospective for coal, the expanded West Falcon Gobi Property also includes an area of 5,431 km^2, or about 70% of the property that is prospective for porphyry copper-gold deposits.

BHP Billiton conducted a Falcon™ airborne gravity gradiometer survey over the joint venture property in May 2006. Potential coal-bearing basins and prospective areas for porphyry copper systems were identified. Further IP surveys have commenced in March 2007.

A series of regional reconnaissance mapping traverses was completed inJuly 2006 to confirm the presence of favorable Permian coal bearing stratigraphy, interpreted from a study of published regional geological maps, Falcon geophysical data, and selected ASTER remote sensing studies. In areas where favorable stratigraphy was confirmed more detailed mapping was completed. An approximate area of 50 km^2 in several blocks has been mapped. Mapping is limited to areas of outcrop.

A multipurpose drill rig was mobilized and drilling commenced at the end of July 2006 and completed in October 2006. The drill program was designed both to test for the presence of favorable Permian Coal Measures under unconsolidated cover, and to directly test for the depth extension of coal seams located by surface mapping. A total of 4,404 m was drilled, including 1,826 m of diamond drilling. A total of 34 holes were drilled, mostly consisting of percussion with diamond tails. Coal was intersected in the southeastern part of the region. The results are being reviewed to determine the economics of mining in the area.

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 and initial fire assay results indicate gold grades averaging between 30 g/t gold (0.96 ounces per ton) and 165 g/t gold (5.30 ounces per ton) in seven of the veins. A 7,000 m 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.

An approximate 3,500 m combined diamond and Reverse Circulation (RC) drilling program commenced on April 23, 2006. Three blocks have been defined for RC grid drilling on the down-dip extensions of the B, A-C and D veins that host high grade gold mineralization (see Asia Gold’s website for news releases dated January 23, 2006, and February 16, 2006).

The 84-hole RC drilling program included 20 holes on the B vein, 35 on the D vein and 29 on the AC vein system. The RC holes (diameter 13.1 cm) were collared on 10 m centers on drill hole fence-lines with a 25 m line separation for the B and D veins and a 50 m line separation for the AC veins. Drill fences were located both perpendicular to the general strike of the veins and down dip of the highest grade gold mineralization found in the trenches. The B and D veins were tested with short vertical holes due to the 5-20 degree dip of the veins. Holes on the AC veins were drilled at -55 to -60 degrees towards the veins. RC chip samples were collected at 1 m intervals.

The results of the first RC drilling program indicate that the best gold mineralization is in four shallow dipping, south plunging shoots within the quartz veins. The shoots are defined by a coherent envelope of combined anomalous gold and base metals which encloses all the better gold intersections. The estimated dimensions of the shoots are 30 to 60 m in width, 1 to 4 m in thickness and 90 to 130 m down plunge. All four shoots are open at depth. (See Asia Gold’s website for a plan view of the interpreted shoots)

For 2007, the Company is considering its options for a proposed 1200 m RC drilling program.

Gobi Gold

The Company entered into an agreement with Gobi Gold Inc. (“Gobi”) on February 9, 2006 whereby the Company granted Gobi the right to earn up to an 80% interest in seven mineral licenses covering 21,010 ha in the Gobi region of Mongolia. Effective August 29, 2006 Gobi Gold Inc. changed its name to East Energy Corp.

The initial $20,000 option payment and the first tranche of shares valued at approximately $10,000 were received by the company.

On March 22, 2007 East Energy Corp terminated the earn-in agreement with the Company, and the Company is currently considering its options for the seven mineral licenses.

Oyut Ovoo Property

The Company completed an initial diamond drilling program in April 2004 on the Oyut Ovoo property consisting of 1,715 m 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 m. 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, with incurred costs relating to regulatory and filing fees; site visits to several copper occurrences were completed in the first half of 2006, but no further work is planned at this time.

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 2007, the Company held 18 licences covering a total area of 444,000 ha. Up to September 30, 2006, the Company conducted regional prospecting and mapping with a total of 408 rock samples being taken. With the results of the sampling program no further work is expected.

Khuvsgul Property

As of March 2007, eleven contiguous exploration licenses totaling 87,000 ha were owned by the Company. 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. No further work has been performed in 2006, with incurred costs relating to regulatory and filing fees.

Khovd and Other Properties

The Company currently holds two other licenses totaling 124,000 ha 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. A further 75 rock samples were collected in September 2006. With the results of the sampling, no further work is expected.

Properties in Bulgaria

In November 2005, Asia Gold acquired Ivanhoe Mines' interest in a joint venture agreement with Hereward Ventures Bulgaria AD ("Hereward") to explore four mineral licenses in Bulgaria. Ivanhoe had incurred costs prior to Asia Gold acquiring the interest. Asia Gold could earn up to an 80% interest in the four licenses (Rozino, Dobroselets, Polski Gradets and Gornoseltsi) by completing work expenditures of $4 million in two stages. Stage one required Asia Gold to complete expenditures of $2 million. Effective September 21, 2006 Asia Gold had completed the first earn in right pursuant to the joint venture agreement with Hereward and had earned a 51% participating interest. Subsequently, and in addition Asia Gold spent approximately $ 400,000 to February 2007.

On February 5, 2007 the Company decided to terminate its mineral exploration activities in Bulgaria and elected to withdraw from the Bulgarian Joint Venture effective March 2, 2007.

Properties in Indonesia

Kaputusan Project

The Company signed a memorandum of understanding with PT Harita Multi Karya Mineral (“HMKM”) on January 19, 2006 to develop a joint venture to explore the Kaputusan prospect, a 25,771 ha exploration lease located in Indonesia.

Effective September 7, 2006 a definitive Joint Venture Agreement and Cooperation Agreement was signed with HMKM, pursuant to which, 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. The 85% interest was earned in 2006. A joint venture company, PT ASG Harita Mining Services was incorporated in December 2006. The 15% interest held by HMKM in the joint venture company is free carried to commercial mine production. The Company will be responsible for funding 100% of any project costs through to commercial mine production.

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 (BGR) regional program carried out from 1977 to 1979. Subsequent exploration included 5,550 m of trenching and 1,575 m of NQ/BQ drilling in ten holes during 1983 to 1984.

The best drill intercepts recorded are 48 m at 0.37% Copper (‘Cu’) and 0.65 g/t gold (‘Au’) (hole 3; 6-54 m) and 153 m at 0.33% Cu and 0.28 g/t Au (hole 7; 51-204 m). The best trench interval is 80 m at 0.50% Cu and 0.39% Au including 44 m 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 has been established on the Kaputusan porphyry copper-gold project. A first-stage exploration program comprising geological mapping, an IP geophysical survey and trenching began in March 2006.

Detailed geological mapping by Asia Gold has confirmed porphyry copper-gold mineralization is hosted by potassic-altered and magnetite-bearing tonalite porphyry stocks over an area measuring approximately 1,300 m by 500 m (see website). The best mineralization is associated with quartz vein stock works in two zones (Northern and Southern Zones) that are separated by an area of alluvial cover.

A total 110 line km of high resolution ground magnetics and 42 line km of dipole-dipole IP have been completed. The results of the IP survey show the Northern and Southern zones are surrounded by high PFE (Percent Frequency Effect) anomalies that are interpreted to be pyrite haloes surrounding mineralization. The IP results suggest the Northern and Southern zones are continuous beneath the alluvium.

Asia Gold reopened and sampled seventeen of the original BGR trenches. A total of about 1,150 m of the original 5,550 m of trenches were re-sampled. Asia Gold channel samples were two or three m in length while BGR channels were five or six m in length.

In all cases the Asia Gold results compare well with the BGR results and provide confidence in the remaining BGR analytical results as being similarly accurate. A complete list of the results can be found on the Company website.

A follow up trenching program comprising 2,958 m in 15 trenches was completed in November 2006. These trenches expanded the initial program in the North and South Zones and resulted in the discovery of the new West Zone of Porphyry style copper-gold mineralization.

In the North Zone, a 152 m section of mineralization that is open to the east and west, grades 0.20% copper and 0.18 g/t gold in potassic and propylitically altered tonalite host rock. This section includes a 60 m interval grading 0.31% copper and 0.36 g/t gold. In the South Zone, a 34-m section grades 0.14% copper and 0.15 g/t gold. The host rock is also a potassic altered tonalite. These results increase the north–south extent of copper-gold mineralization at Kaputusan to 1.8 km. The mineralization is still open to the north and south. A 3,000 m diamond drilling program to test the North, South and West Zones is planned to begin in the second week of February 2007.

SELECTED ANNUAL INFORMATION

($ in thousands, except per share information)	Year ended December 31,		
	2006	2005	2004
Exploration expenses	$ 6,115	$ 4,655	$ 3,433
Net loss	9,362	6,214	4,503
Net loss per share	(0.56)	(0.41)	(0.31)
Cash and cash equivalents	965	3,125	8,222
Total assets	2,052	3,775	8,699
Total long term liabilities	5,836	-	-

For each of the years ended December 31, 2006, 2005 and 2004, the Company had no sales or other operating revenues.

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 commenced in earnest in 2004 concurrent with the newly available funding. Exploration expenditures increased in 2005 and through 2006 as the scope of projects increased during the year. Total assets consist of cash, which have declined on a year to year basis as these funds have been utilized for operations.

RESULTS OF OPERATIONS

		2006		2005
EXPENSES				
Depreciation	**$**	**20,323**	$	16,868
Exploration, net of incidental revenues		**6,114,780**		4,655,197
Investor relations		**89,053**		27,381
Legal		**45,840**		54,506
Office and administration		**593,492**		408,969
Professional fees		**87,898**		92,728
Salaries and benefits		**742,788**		473,068
Stock-based compensation		**938,285**		538,452
Travel		**229,777**		123,161
		8,862,236		6,390,330
OTHER (INCOME)/EXPENSES				
Coal Transaction Costs		**217,781**		-
Interest income		**(49,700)**		(127,654)
Interest expense		**178,739**		-
Foreign exchange gain		**20,393**		(74,747)
Write-down of mineral property		**132,366**		26,028
		499,579		(176,373)
NET LOSS	**$**	**9,361,815**	$	6,213,957

Year Ended December 31, 2006 and 2005

The Company incurred a net loss for the year ended December 31, 2006 of $9.4 million as compared to a net loss of $6.2 million for the same period in 2005. This change is due primarily to higher exploration, office, administration, salaries, travel, coal transaction costs, interest expense and stock compensation expense in the 2006 period.

Exploration expenditures during 2006 were $6.1 million as compared to $4.7 million for the same period in the 2005.

The 2006 exploration amount represents expenditures of $4.0 million on the Company's Mongolian projects as compared to $3.8 million during 2005. The main projects in Mongolia for 2006 are Khongor North and South and Naran Bulag, commonly referred to as the West Gobi properties.

In January 2006, the Company signed a memorandum of understanding to explore the Kaputusan prospect, an exploration lease located in Indonesia. In 2006, $1.0 million was spent on exploration activities in Indonesia compared to $157,000 in 2005.

Exploration expenditures in Bulgaria increased to $1.1 million in 2006, compared to $597,000 in 2005. After a strategic review of the Company's exploration projects, a decision was made in early February 2007 to terminate exploration activities in Bulgaria effective March 2, 2007. The Company decided to focus on the Company's copper and gold projects in Indonesia and Mongolia, along with the pending coal transaction in Mongolia with Ivanhoe.

Salary and benefits expense was $743,000 for the year end December 31 2006 as compared to $473,000 in 2005. Salary costs reflect increases in corporate activity and the level of personnel employed in 2006.

Office and administration costs increased $184,000 from $409,000 in 2005 to $593,000 in 2006. The increase relates to the development of the exploration projects in Mongolia, Bulgaria and Indonesia, added personnel and related office and administration support costs.

Investor relations costs have increased in 2006 compared to 2005. The costs relate to additional public relation initiatives, conference registrations and printed materials.

Costs of $218,000 to effect the related party coal transaction are for legal and professional fees. The fees relate to the preparation and approval of the documentation for the special shareholders meeting regarding the acquisition by the Company of Ivanhoe's coal division.

Legal and professional fees were incurred on a relatively consistent basis throughout 2006 and 2005. The majority of the legal costs are associated with the Company's regulatory affairs including issues associated with corporate governance, filing, registration and disclosure. Included in professional fees are costs related to the quarterly reviews and audit of the Company's financial statements.

Travel costs were $230,000 during 2006 compared to $123,000 in 2005. This is due primarily to the increased travel activity to the Company's project locations.

Stock-based compensation in the amount of $938,000 was recognized in 2006 and $538,000 in 2005. The increase reflects the higher fair value of additional option grants in 2006, particularly in the June 2006 quarter, and the related vesting and volatility pattern of the underlying stock options that gave rise to the compensation expense.

Lower interest income during the 2006 period reflects lower average cash balances during the year. A foreign exchange loss of $20,000 was recorded in 2006 compared to a gain of $75,000 for 2005, due to the fluctuations in the Canada-U.S. exchange rates. Interest expense of $179,000 relates to outstanding amounts due to Ivanhoe under the credit facility.

Certain of the Company's mineral property capitalized license costs were reviewed and it was determined a write down of $132,000 should be recognized for the year ended December 31, 2006.

SELECTED QUARTERLY DATA

($ in thousands, except per share information)

	2006				2005			
QUARTER ENDED	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar
Exploration expenses	$ 1,182	$ 1,865	$ 2,580	$ 488	$ 1,705	$ 1,457	$ 1,008	$ 485
Net loss	2,042	2,689	3,634	997	2,174	1,724	1,372	944
Net loss per share	(0.11)	(0.16)	(0.23)	(0.06)	(0.15)	(0.11)	(0.09)	(0.06)

Net loss per share amounts in the annual consolidated financial statements and for the interim consolidated financial statements could differ from the sum of the earnings per share amounts for each of the interim periods. This difference is due to rounding of interim net loss per share amounts.

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 will vary from quarter to quarter depending on the number of projects and the related seasonality of the exploration programs. Most of the exploration expenditures recorded for year ended December 31, 2006 were incurred on the Mongolian projects. Exploration expenses for 2006 also include costs incurred on the Bulgarian properties. As well, higher costs are now being incurred on the Kaputusan project in Indonesia.

Stock-based compensation expense reflects the number and fair value of the 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. The Company also has transactions related to the Mongolian Tugrik, the Indonesian Rupiah, the Bulgarian Lev and the Euro, which will affect the foreign exchange gains or losses recorded in the financial statements.

RESULTS OF OPERATIONS

	Three Months Ended	
	December 31, 2006 (Unaudited)	December 31, 2005 (Unaudited)
EXPENSES		
Depreciation	$ 5,970	$ 2,497
Exploration	1,181,965	1,706,146
Investor relations	26,632	12,643
Legal	2,393	4,914
Office and administration	137,551	113,993
Professional fees	45,710	56,557
Salaries and benefits	201,672	126,564
Stock-based compensation	165,860	113,080
Travel	59,457	42,947
	1,827,210	2,179,341
OTHER (INCOME)/EXPENSES		
Interest income	(10,041)	(29,040)
Interest Expense	92,915	-
Foreign exchange gains	(484)	(2,800)
Write-down of mineral property	132,366	26,028
	214,756	(5,812)
NET LOSS	$ 2,041,966	$ 2,173,529

Three Months Ended December 31, 2006 and 2005

The Company incurred a net loss for the three-months ended December 31, 2006 of $2.0 million as compared to a net loss of $2.2 million for the same period in 2005.

During the three-month period ended December 31, 2006 exploration expenses were $1.2 million as compared to exploration expenses of $1.7 million in the same period in 2005. In the 2005 period, $1.2 million was spent on field work on the Mongolian exploration licenses and a further $500,000 was spent on exploration reconnaissance activities in Indonesia, Bulgaria and Siberia. In the 2006 period, the Company spent approximately $ 400,000 in each of Mongolia, Bulgaria and Indonesia. Exploration costs decreased in Mongolia in the fourth quarter 2006 compared to 2005 as the Company was reviewing alternative field and exploration programs. Field activity increased in Indonesia compared to 2005, as the Kapatusan project was in full cycle.

Salary costs and office and administration fees increased in the three-months ended December 31, 2006 as compared to the same period in 2005. The increases relate to the development of the exploration projects, added personnel and office and administration support costs. 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 to commensurate with increases or decreases in quarterly corporate activity and the level of personnel employed.

Legal and professional fees remained consistent throughout the quarter ended December 2006 and 2005 periods; the majority of the legal 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 December 2006 and 2005 quarters include the accrued yearend audit cost of the Company's financial statements.

Stock-based compensation expense recorded for the three-months ended December 31, 2006 was \$166,000 as compared to \$113,000 in the same period in 2005. For the current quarter, there were no stock option grants.

Investor relations costs have increased to \$27,000 for the three- months ended December 31, 2006 as compared to \$13,000 for the same period in 2005. These costs relate to additional public relations initiatives, conference registrations and printed materials.

Travel costs were higher for the three-months ended December 31, 2006 as compared to same period in 2005. This is due primarily due to the increased travel activity to the Company's project locations in Mongolia, Bulgaria and Indonesia.

Interest income has decreased, which relates directly to the Company's reduced cash position. Interest expense of \$93,000 for the three-months ended December 31, 2006 relates to the credit facility agreement with Ivanhoe. During the quarter, additional amounts were drawn upon under the credit facility agreement. The principal amount due to Ivanhoe at December 31, 2006 was \$5.5 million as compared to \$4 million at September 30, 2006. The line of credit bears interest at an annual rate equal to the three month London Interbank Offered Rate (LIBOR) plus two percent per annum.

Certain of the Company's mineral property capitalized license costs were reviewed and it was determined a write down of \$132,000 should be recognized for the year ended December 31, 2006.

LIQUIDITY AND CAPITAL RESOURCES

	December 31, 2006	December 31, 2005
ASSETS		
CURRENT		
Cash and cash equivalents	**$ 965,494**	$ 3,125,000
Accounts receivable	**215,783**	123,370
Prepaid expenses	**235,013**	137,429
	1,416,290	3,385,799
MINERAL PROPERTIES	**403,360**	260,726
PLANT AND EQUIPMENT	**232,585**	128,428
	$ 2,052,235	$ 3,774,953
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	**$ 451,540**	$ 692,699
AMOUNT DUE UNDER LINE OF CREDIT FACILITY	**$ 5,835,501**	$ -
	$ 6,287,041	$ 692,699
SHAREHOLDERS' EQUITY		
Common shares	**16,518,231**	15,287,221
Contributed surplus	**1,860,131**	1,046,386
Deficit	**(22,613,168)**	(13,251,353)
	(4,234,806)	3,082,254
	$ 2,052,235	$ 3,774,953

At December 31, 2006, the Company had cash resources of $965,000 compared to $3.1 million as at December 31, 2005. The Company has reviewed it exploration plans for 2007 and has planned for a preliminary metals division exploration budget of approximately $6.2 million for 2007. A review of the exploration budget was made during Q4, along with the anticipated expenditure requirements related to the coal properties to be acquired from Ivanhoe. The total amount due under the line of credit, including interest was $5.8 million as at December 31, 2006. These amounts have provided financing for the Company's operations. In the first quarter of 2007 a further $2 million was drawn under the line of credit facility for current operating expenditures.

On April 25, 2006, in conjunction with the coal transaction, the Company entered into a line of credit facility with Ivanhoe whereby Ivanhoe has agreed to make available to the Company an unsecured line of credit of up to $10 million. By mutual agreement, Ivanhoe may increase the amount available for drawdown to a maximum of $15 million. Coal expenditures incurred by Ivanhoe from April 25, 2006 to the closing date of the coal transaction will be deemed to be advances made under the line of credit facility. All amounts outstanding under the line of credit bear interest at three month LIBOR plus two percent. All advances pursuant to the line of credit will mature and be repayable in full on April 25, 2008. Ivanhoe has the ability to accelerate the Company's obligation to repay all advances pursuant to the line of credit and all accrued and unpaid interest thereon in the event of a default by the Company. The Company has the right to prepay the outstanding advances and accrued and unpaid interest, in whole or in part, at any time without penalty. If the Company completes an equity financing in excess of $20 million then all amounts under the line of credit would be repayable in full from the proceeds of the financing.

Upon closing of the coal transaction and subject to related regulatory approval, the Company's indebtedness to Ivanhoe under the working line of credit can be converted, in whole or in part, into common shares of the Company at the election of either the Company or Ivanhoe. Until the first anniversary of the closing of the coal transaction, the Company may convert amounts outstanding under the Line of Credit into common shares of the Company at a conversion price of Cdn$2.09 per share. Until 90 days after the first anniversary of the closing of the coal transaction, Ivanhoe may convert amounts outstanding under the Line of Credit in common shares of the Company at a conversion price of Cdn$2.35 per share.

Accounts receivable includes funds due from government taxation authorities. The fluctuation in prepaid balances predominantly relates to the timing of payments and related expenditures of Mongolian exploration licenses. Accounts payable have decreased with the reduced exploration activity and the slower seasonal activity in the latter part of the current quarter ended December 31, 2006.

Direct costs related to the acquisition of mineral property interests are capitalized by property. Pursuant to the original Option Agreement with Solomon Resources Limited ("Solomon") and Gallant Minerals Ltd. ("Gallant"), the Company had an option to earn up to a 70% interest in Khongor South from Solomon. As part of the earn in right obligations for 2005 and 2006 the Company paid $403,000 to Solomon.

The Company is a development stage entity that has not achieved production on any of its mineral properties and, accordingly, does not have any revenues. The Company's ability to continue as a going concern, with a capital deficiency, is dependant upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing and permitting to develop properties and to establish future profitable production. The Company does not have sufficient cash to fund the exploration and development of its mineral properties to commercial production and, therefore, will require additional funding, which if not raised may result in the curtailment of operations. Management is of the opinion that additional financing is available to continue its planned activities in the normal course. To date, additional financing has been provided by Ivanhoe. There can, however, be no assurance the Company will be able to raise sufficient funds in the future.

RELATED PARTY TRANSACTIONS

The coal transaction between Ivanhoe and the Company is a related party transaction. (See 'Recent Developments').

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 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. 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 $1.1 million and $690,000 for the year ended December 31, 2006 and 2005, respectively.

In connection with the acquisition of the exploration licenses from Ivanhoe in July 2003, the Company and Ivanhoe entered into a technical consulting agreement. Under the terms of this agreement, the Company retained Ivanhoe to conduct exploration activities using Ivanhoe's infrastructure on a cost recovery basis from time to time. The Company has incurred no costs during the twelve-months ended December 31, 2006 in respect of these agreements. The Company incurred costs of $40,000 from Ivanhoe in 2005 respect of certain information technology services provided to the Company at its exploration office in Mongolia.

All amounts outstanding under the line of credit facility with Ivanhoe bear interest at three month LIBOR plus two percent. As at December 31, 2006, $179,000 of interest has been accrued on the line of credit facility with Ivanhoe.

In July 2003, the Company and Ivanhoe entered into a coal rights retention agreement ("CRRA") whereby Ivanhoe retained 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 acquired by the Company after July 2003. The CRRA will be terminated by operation of law if and when the coal transaction is completed. (See 'Recent Developments').

OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares without par value. As at April 17, 2007: 17,093,212 common shares were issued and outstanding; and 2,644,521 share purchase options were outstanding. On a fully diluted basis, 19,737,733 common shares were outstanding.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to provide reasonable assurance that material information is gathered and reported to senior management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to permit timely decisions regarding public disclosure.

Management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on this evaluation as of December 31, 2006, the Chief Executive Officer and Chief Financial Officer has concluded that the Company's disclosure controls and procedures, as defined in Multilateral Instrument 52-109 - Certification of Disclosure in Issuer's Annual and Interim Filings ("52-109"), are effective to ensure that the information required to be disclosed in reports that are filed or submitted under Canadian Securities legislation are recorded, processed, summarized and reported within the time period specified in those rules.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is also responsible for the design of the Company's internal control over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles. Management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the design of the Company's internal control over financial reporting. Based on this evaluation as of December 31, 2006, the Chief Executive Officer and Chief Financial Officer has concluded that the Company's internal control over financial reporting, as defined in 52-109, is designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of the financial statements for the year ended December 31, 2006, in accordance with Canadian generally accepted accounting principles.

There has been no change in the Company's internal control over financial reporting that occurred during the fourth quarter of 2006 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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, include the following:

- *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 coal, 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, and 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. At times and depending on cash flow requirements, the Company may invest some of its surplus funds in cash instruments denominated in Canadian dollars. Currency or foreign exchange risk refers to losses that could result from changes in foreign exchange rates. A sudden weakening of the Canadian dollar vis-à-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.

- *Coal transaction risks* – Ivanhoe has experienced unanticipated delays in completing the transfer of certain mineral exploration licenses forming part of the assets of the Ivanhoe coal division to be acquired by the Company pursuant to the coal transaction. The transfer of these licenses is a condition precedent to the completion of the coal transaction. If the transfer of these licenses continues to be unduly delayed, the Company will be unable to implement its business development plans in respect of the coal assets in a timely manner or at all and may be unable to complete the coal transaction in a timely manner or at all. Failure to complete the coal transaction would likely have a material adverse impact on the Company and its ability to continue carrying on business on the basis presently contemplated. There are other material risks and uncertainties pertaining to the coal transaction that are summarized in the Company's Management Information Circular dated July 10, 2006 in respect of the special meeting of the Company's shareholders held on August 8, 2006 at which the coal transaction was approved by the Company's minority shareholders. This document can be accessed at www.sedar.com

OUTLOOK

To date, the coal transaction has not been completed because completion of the transfer of the relevant mineral exploration licenses in Mongolia is taking longer than expected. In October 2006 Ivanhoe advised the Company that application for the transfer of the licenses had been filed with the applicable regulatory authorities in Mongolia.

Ivanhoe Mines and Asia Gold have agreed to extend the closing date of the coal transaction on an indefinite basis in order to accommodate the unanticipated delays in completing the formal license transfer process in Mongolia.

Ivanhoe Mines' Coal Division holds 35 coal exploration licenses that are required to be transferred to complete the coal transaction. As of April 17, 2007, 29 of the 35 licenses have been transferred.

It is expected that the coal transaction will be completed shortly after all 35 licenses have been transferred by the Mongolia Government's Cadastral office.

The Company will focus its efforts on expanding and developing the coal assets it expects to acquire pursuant to the coal transaction once final approval for the license transfers has been provided by the Mongolian governmental authorities. This will provide the Company with property interests which have the potential for near term development and cash flows.

Ivanhoe and its consultants, Norwest Corporation ("Norwest"), have assessed the results of the 2006 coal drilling and exploration program at Nariin Sukhait. The Nariin Sukhait property is located in the southwest corner of the Omnogovi Aimag province in southern Mongolia.

Norwest is assisting the Company in planning the mine development at Nariin Sukhait. The mine plan is expected to support an operation capable of producing four million tons of saleable coal per year. Ultimate capacity is planned to be reached in five years. This plan is being updated using the information from the 2006 exploration program. The updated mine plan will be used as the basis for applying for the mining license that is required for operation of the Nariin Sukhait Project. A detailed environmental impact assessment has been completed and is expected to be submitted with the mining application.

The project is scheduled to start development and construction work following the closing of the Coal Division merger transaction with Asia Gold and the issuance of the required permits. Direct coal operating costs and capital expenditures will increase with the closing of the transaction.

Potential sources of funds to the Company include either/or an increase in financing terms with Ivanhoe, the sale of equity or debt financing. Although the Company has been successful in the past in obtaining financing from Ivanhoe or through an outside independent party, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

The Company will also continue its exploration efforts on identification and drilling of prospective copper-gold targets on its exploration licenses in Mongolia and Indonesia, and identification and acquisition of new mineral property exploration opportunities.

Should it be successful in developing the coal deposits or in discovering and developing an economic ore body in Mongolia, due to its proximity to China, the Company has access to a market which has a strong demand for coal, raw materials and precious metals.

April 17, 2007