MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
March 31, 2007

(Stated in U.S. Dollars)

ASIA GOLD CORP.
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OVERVIEW

Asia Gold Corp. (which, together with its subsidiaries, is collectively referred to as the "Company" 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. 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. 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 will 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. 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 March 31, 2007 are approximately $11.2 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.(Refer to liquidity and capital resources for the full text of the conversion terms)

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. Closing of the transaction is subject to the fulfillment of certain conditions precedent, including the completion of the transfer of certain mineral exploration licenses in Mongolia.

On May 1, 2007, Ivanhoe and Asia Gold announced that the Government of Mongolia completed the transfer of all 35 coal exploration licenses held by Ivanhoe in the South Gobi area of Mongolia. All of the material conditions precedent to the closing of Asia Gold's acquisition of the Ivanhoe's coal division has now been satisfied. The transaction is expected to close after Asia Gold's Annual General Meeting on May 25, 2007.

The Nariin Sukhait property was renamed “Ovoot Tolgoi” to differentiate Ivanhoe’s coal exploration and development project in Mongolia’s South Gobi Province from the adjoining Nariin Sukhait coal mine owned by a Mongolian-Chinese joint venture company, MAK/Qinhua.

In April 2007, Ivanhoe initiated the formal process for obtaining a Mining License for development of a surface open pit coal mine at Ovoot Tolgoi. As required by the Minerals Law of Mongolia, Ivanhoe filed a Detailed Environmental Impact Assessment (DEIA) along with a Geological Resource Report for the Ovoot Tolgoi property.

In May 2007, the DEIA for the Ovoot Tolgoi coal project was approved by the Mongolian Government’s Ministry of Environment and upon receipt of the Government approval of the Geological Resource report, Ivanhoe will formally file for a mining license in order to commence development and operation.

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.

CHANGE IN ACCOUNTING POLICIES

The Company adopted the provisions in the Canadian Institute of Chartered Accountants Handbook Sections 3251 – Equity, 3855 – Financial Instruments – Recognition and Measurement, 3861 – Financial Instruments – Disclosure and Presentation and 1530 – Comprehensive Income, on January 1, 2007, which addresses the classification, recognition and measurement of financial instruments in the financial statements and the inclusion of other comprehensive income. The Company's financial instruments' carrying value approximate fair values due primarily to their immediate or short term maturity. Section 1530 – Comprehensive Income, does not apply to the Company at this time.

MINERAL PROPERTIES

Qualified Persons

Disclosure of a scientific or technical nature which has been filed on the System for Electronic Document Analysis and Retrieval ("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 Executive Vice-President, Metals Group, 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 April 27, 2007 the Company held 85 exploration licenses in Mongolia covering an aggregate area of approximately 1.9 million hectares ("ha"). Fifty-six 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, thirteen 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

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 had 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 and on April 23, 2007 signed an exclusive Option Agreement with Gallant.

In order to exercise the option to acquire an 80% interest in the Tsakhir license, Asia Gold is required over the next two years to make cash payments of $70,000, issue common shares of the Company valued at $50,000 and spend an aggregate of $ 600,000 on related work programs.

Subject to Asia Gold exercising its option to acquire an 80% interest in the Tsakhir license, Gallant has a one time option, exercisable within 30 days of Asia Gold completing the option, to retain its 20% interest as a fully participating joint venture partner, or to convert its 20% interest into a net smelter royalty of up to 3%. Asia Gold retains the right to buy down the royalty pursuant to a payment scale based on the amount of the annual net smelter revenue.

The Tsakhir license hosts the southern extension of the Khongor porphyry copper-gold deposit discovered by Asia Gold in 2005 (see News Releases of Asia Gold dated October 18, 2005 and July 19, 2006). Mapping of the Tsakhir license has identified a cluster of nested porphyry bodies and significant areas of quartz stock work and breccia bodies. The property scale geology suggests that Tsakhir and Khongor may be part of a very large (>10 kilometers diameter) multi-phase intrusive complex with significant prospectivity. Tsakhir and Khongor lie within the South Gobi arc terrain that hosts the giant Oyu Tolgoi copper-gold deposit, located 300 kilometers to the east.

Further work on the Tsakhir license 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 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 commenced in March 2007, and the Company is expecting results in the second quarter.

A series of regional reconnaissance mapping traverses was completed in July 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 were reviewed and BHP Billiton determined that a resource sufficient to warrant further exploration was not present.

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

East Energy Corp.

On March 22, 2007 East Energy Corp. terminated its earn-in agreement on the Gobi Gold prospect. The Company is currently considering its options for the mineral licenses in this prospect.

Other Properties

For the Oyut Ovoo property, as of April 2007, the Company held 3 licences covering a total area of 10,000 ha. No further work is planned at this time and costs incurred in 2007 and 2006 relate to regulatory and filing fees and site visits to several copper occurrences.

As of April 2007, the Company held 13 licences in Dornod Aimag covering a total area of 385,000 ha. No further work is planned at this time and costs incurred in 2007 and 2006 relate to regulatory and filing fees.

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

The Company currently holds two other licenses, which include the Khovd property, totaling 124,000 ha elsewhere in Mongolia. No further work is planned on the Khovd property.

Properties in Bulgaria

The Company terminated its mineral exploration activities in Bulgaria and elected to withdraw from the Bulgarian Joint Venture effective March 2, 2007. This resulted in a loss of $35,000 in the quarter of which $31,000 related to the write-down of plant and equipment.

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 Kaputusan deposit 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 as 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 began in February 2007. Five drill holes totaling 800 meters were completed by the end of April 2007.

SELECTED QUARTERLY DATA

($ in thousands, except per share information)

	2007	2006				2005		
QUARTER ENDED	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun
Exploration expenses	$ 867	$ 1,182	$ 1,865	$ 2,580	$ 546	$ 1,705	$ 1,457	$ 1,008
Net loss	1,650	2,042	2,689	3,634	997	2,174	1,724	1,372
Net loss per share	(0.10)	(0.11)	(0.16)	(0.23)	(0.06)	(0.15)	(0.11)	(0.09)

Net loss per share amounts in the annual consolidated financial statements and for the interim consolidated financial statements differs from the sum of the earnings per share amounts for each of the interim periods. This difference is due 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, foreign exchange gains and losses, salary costs, office and administration fees and interest expense.

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 eight quarters ended March 31, 2007 were incurred on the Mongolian projects. Exploration expenses for 2007 and 2006 also include costs incurred on the Bulgarian properties. As well, higher costs are now being incurred on the Kapustusan project in Indonesia.

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. Stock-based compensation is allocated between exploration expense and salaries and benefits.

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.

Salary costs and office and administration fees fluctuate with the increases or decreases in quarterly corporate activity and the level of personnel employed.

On April 25, 2006, the Company entered into a line of credit facility with Ivanhoe whereby Ivanhoe agreed to make available to the Company an unsecured line of credit up to $10 million. All amounts outstanding under the line of credit bear interest at three month LIBOR plus two percent.

RESULTS OF OPERATIONS

	Three Months Ended March 31,	
	2007	2006
	(Unaudited)	(Unaudited)
EXPENSES		
Depreciation	$ 5,908	$ 4,109
Exploration, net of incidental revenues	867,016	546,460
Investor relations	3,617	11,324
Legal	13,398	19,823
Office and administration	171,554	127,287
Professional fees	32,277	8,591
Salaries and benefits	338,657	211,979
Travel	61,937	59,998
	1,494,364	989,571
OTHER (INCOME)/EXPENSES		
Interest income	(6,760)	(14,957)
Interest expense	121,765	-
Foreign exchange	5,343	22,213
Write off of interest in Joint Venture	35,009	-
	155,357	7,256
NET LOSS	$ 1,649,721	$ 996,827

Three Months Ended March 31, 2007 and 2006

The Company incurred a net loss for the three-months ended March 31, 2007 of $1.6 million as compared to a net loss of $1.0 million for the same period in 2006.

During the three-month period ended March 31, 2007 exploration expenses were $867,000 as compared to exploration expenses of $546,000 in the same period in 2006. Exploration expenditures in Mongolia were reduced from $369,000 to $271,000 while the Company continues its evaluation of the potential projects. Bulgarian expenditures decreased from $162,000 in 2006 to $96,000 in 2007 due to the withdrawal from the Bulgarian joint venture effective March 2, 2007. Exploration activity increased in Indonesia with the exploration expenditures increasing to $500,000 in 2007 from $7,000 in 2006 due to continued work on the Kaputusan prospect.

The Company has allocated stock-based compensation of $58,000 (2006 - $59,000) to exploration expense and $109,000 (2006 – $35,000) to salaries and benefits. The total stock-based compensation expense calculated for the three-months ended March 31, 2007 was $167,000 as compared to $94,000 in the same period in 2006. The increase reflects the issuance of additional options in 2006 and the first quarter of 2007.

Salary costs and office and administration fees increased in the three-months ended March 31, 2007 as compared to the same period in 2006. The increases relate to the development of the exploration projects, increased stock based compensation, 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 are commensurate with increases or decreases in quarterly corporate activity and the level of personnel employed.

Legal fees decreased slightly in the 2007 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 for both the March 2007 and 2006 quarters include the cost of quarterly reviews of the Company's financial statements. For the quarter ended March 31, 2007, there were additional costs accrued for the 2007 year-end audit as well as some costs incurred for tax planning.

Interest income has decreased, which relates directly to the Company's reduced cash position. Interest expense of $122,000 for the three-months ended March 31, 2007 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 March 31, 2007 was $7.7 million as compared to $5.5 million at December 31, 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.

Foreign exchange losses of $5,000 and $22,000 were recorded in March 2007 and 2006 quarters respectively. The gains and/or losses are primarily the result of changes of the U.S. to Canadian dollar exchange rates during these periods.

The Company terminated its mineral exploration activities in Bulgaria and elected to withdraw from the Bulgarian Joint Venture effective March 2, 2007. This resulted in a loss of $35,000 in the quarter, due primarily to the write-down of plant and equipment.

LIQUIDITY AND CAPITAL RESOURCES

	March 31, 2007 (Unaudited)	December 31 2006
ASSETS		
CURRENT		
Cash and cash equivalents	$ 1,682,462	$ 965,494
Accounts receivable	223,351	215,783
Prepaid expenses	247,209	235,013
	2,153,022	1,416,290
MINERAL PROPERTIES	403,360	403,360
PLANT AND EQUIPMENT	166,011	232,585
	$ 2,722,393	$ 2,052,235
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 357,439	$ 451,540
AMOUNT DUE UNDER LINE OF CREDIT FACILITY	7,957,266	5,835,501
	8,314,705	6,287,041
SHAREHOLDERS' EQUITY		
Common shares	16,728,070	16,518,231
Contributed surplus	1,942,507	1,860,131
Deficit	(24,262,889)	(22,613,168)
	(5,592,312)	(4,234,806)
	$ 2,722,393	$ 2,052,235

At March 31, 2007, the Company had cash resources of $1.7 million compared to $1 million as at December 31, 2006. The Company has reviewed its metals exploration plans for 2007 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 $8 million as at March 31, 2007. These amounts have provided financing for the Company’s operations. In the first quarter of 2007, $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 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 include funds due from government services taxation (GST or VAT) authorities. Prepaid balances were $247,000 at March 31, 2007 and $235,000 at December 31, 2006. The fluctuation predominantly relates to the timing of prepayments and related expenditures of Mongolian exploration licenses. Accounts payable have decreased with no activity in Bulgaria.

Common shares increased in the three month period ended March 31, 2007 as 116,515 options were exercised compared to $Nil in the same period in 2006. The exercise of these options resulted in a cash inflow of $125,000.

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. At present, the Company relies on Ivanhoe for additional financing. 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 $342,000 and $247,000 for the three months ended March 31, 2007 and 2006, respectively.

All amounts outstanding under the line of credit facility with Ivanhoe bear interest at three month LIBOR plus two percent. During the three months ended March 31, 2007, $122,000 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 May 24, 2007: 17,149,212 common shares were issued and outstanding; and 2,588,521 share purchase options were outstanding. On a fully diluted basis, 19,737,733 common shares were outstanding.

INTERNAL CONTROL OVER FINANCIAL REPORTING

There has been no change in the Company's internal control over financial reporting that occurred during the first quarter of 2007 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 and exploration 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 had 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. However, on May 1, 2007, Ivanhoe and Asia Gold announced that the Government of Mongolia had completed the transfer of all 35 coal exploration licenses held by Ivanhoe in the South Gobi area of Mongolia. All of the material conditions precedent to the closing of Asia Gold's acquisition of the Ivanhoe coal division has now been satisfied. But, 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

On May 1, 2007, Ivanhoe and Asia Gold announced that the Government of Mongolia had completed the transfer of all 35 coal exploration licenses held by Ivanhoe in the South Gobi area of Mongolia. All of the material conditions precedent to the closing of Asia Gold's acquisition of the Ivanhoe coal division has now been satisfied. The transaction is expected to close after Asia Gold's Annual General Meeting (AGM) on May 25, 2007. At the AGM Asia Gold's shareholders will be asked to authorize a change of Asia Gold's corporate name to SouthGobi Energy Resources Ltd to more accurately reflect the strategic focus of an integrated coal and energy development company operating in Mongolia's South Gobi region.

The Company is holding another 13 exploration licenses for the coal division. These licenses originally were acquired to explore for copper and gold mineralization, but have been retained for their coal potential. The 13 licenses will form part of the SouthGobi Energy Resources' exploration program, along with the 35 licenses transferred as part of the coal transaction.

Also, the Nariin Sukhait property was renamed "Ovoot Tolgoi" to differentiate Ivanhoe's coal exploration and development project in Mongolia's South Gobi Province from the adjoining Nariin Sukhait coal mine owned by a Mongolian-Chinese joint venture company, MAK/Qinhua. The Ovoot Tolgoi property is located in the southwest corner of the Omnogovi Aimag province in southern Mongolia.

The Company will focus its efforts on expanding and developing the coal assets it will acquire pursuant to the coal transaction; once the transaction closes. This will provide the Company with property interests which have the potential for near term development and cash flows. However, 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.

Ivanhoe and its consultants, Norwest Corporation ("Norwest"), have assessed the results of the 2006 coal drilling and exploration program at Ovoot Tolgoi. An updated resource report was prepared in March 2007 by Norwest Corporation. In accordance with National Instrument 43-101 there are approximately 105 million tonnes of measured, 45 million tonnes of indicated resources and an additional 29 million tonnes of inferred resources. The Company will be pursuing further drilling and engineering studies with a view to delineate additional resources that may be amenable to extraction by underground methods, principally for metallurgical coal. Full details of the parameters used to calculate the in-place coal resources and coal quality estimates are available in Ivanhoe Mines 2007 Annual Information Form and Form 40-F, available at www.ivanhoemines.com and www.sedar.com

The 2006 exploration program at Ovoot Tolgoi was designed to bring the level of knowledge for the identified resource areas to the pre-feasibility level for mine planning. Norwest is assisting the Company in planning the mine development at Ovoot Tolgoi. 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 was updated using the information from the 2006 exploration program. The updated mine plan was used as the basis for applying for the mining license that is required for operation of the Ovoot Tolgoi Project.

In April 2007, Ivanhoe initiated the formal process for obtaining a Mining License for development of a surface open pit coal mine at Ovoot Tolgoi. As required by the Minerals Law of Mongolia, Ivanhoe filed a Detailed Environmental Impact Assessment (DEIA) along with a Geological Resource Report for the Ovoot Tolgoi property.

In May 2007, the DEIA for the Ovoot Tolgoi coal project was approved by the Mongolian Government's Ministry of Environment and upon receipt of the Government approval of the Geological Resource report, Ivanhoe will formally file for a mining license in order to commence development and operation.

Potential sources of funds to the Company include one or more of the following; an increase in financing terms with Ivanhoe, the sale of equity and 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.

With the coal transaction expected to complete shortly after May 25, 2007 the Company is now poised for growth. Management will focus its efforts on developing metallurgical and thermal coal deposits in the South Gobi region of Mongolia. As well, we will continue on the fundamentals of discovering and developing an economic ore body in Mongolia and Indonesia.

The Company plans to supply a wide range of coal products and electricity to markets in Mongolia and China and is studying the environmental benefits offered by emerging clean coal technology. The Company also is evaluating the future potential of Coal-to-Liquids (CTL) technology to convert coal into low-sulphur diesel, gasoline and naphtha.

May 24, 2007