

Mongolia Growth Group Ltd.

Condensed Interim Consolidated Financial
Statements

(Unaudited)

For the three and six months ended

June 30, 2015 and 2014

(expressed in Canadian dollars)

Mongolia Growth Group Ltd.

Condensed Interim Consolidated Statements of Financial Position (Unaudited)

(expressed in Canadian dollars)

	June 30, 2015 \$	December 31, 2014 \$
Assets		
Current assets		
Cash and cash equivalents	859,919	1,645,421
Other assets	386,280	1,027,703
	<u>1,246,199</u>	<u>2,673,124</u>
Non-current assets		
Investment properties (note 6)	50,577,878	48,458,517
Property and equipment (note 7)	2,966,356	2,974,950
	<u>54,790,433</u>	<u>54,106,591</u>
Total assets		
	<u>54,790,433</u>	<u>54,106,591</u>
Liabilities		
Current liabilities		
Trade payables and accrued liabilities	738,408	1,925,655
Income taxes payable	220,554	151,346
	<u>958,962</u>	<u>2,077,001</u>
Non-current liabilities		
Deferred income tax liability	1,023,001	1,099,141
	<u>1,981,963</u>	<u>3,176,142</u>
Total liabilities		
	<u>1,981,963</u>	<u>3,176,142</u>
Equity (note 8)		
Share capital	54,369,332	53,789,459
Contributed surplus	6,921,447	5,815,656
Accumulated other comprehensive loss	(5,688,696)	(7,607,039)
Deficit	(2,793,613)	(1,067,627)
	<u>52,808,470</u>	<u>50,930,449</u>
Total equity		
	<u>52,808,470</u>	<u>50,930,449</u>
Total equity and liabilities		
	<u>54,790,433</u>	<u>54,106,591</u>

Approved by the Board of Directors

"Robert Scott" Director

"Brad Farquhar" Director

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Mongolia Growth Group Ltd.

Condensed Interim Consolidated Statement of Operations

(Unaudited)

For the three and six month period ended June 30, 2015 and 2014

(expressed in Canadian dollars)

	For the three months ended June 30		For the six months ended June 30	
	2015 \$	2014 \$	2015 \$	2014 \$
Revenue				
Rental income	493,678	461,652	1,031,927	944,276
Gain on disposal of investment property	-	59,218	15,175	202,039
Other revenue	8,258	21,967	32,586	31,103
Total revenue	<u>501,936</u>	<u>542,837</u>	<u>1,079,688</u>	<u>1,177,418</u>
Expenses				
Salaries and wages	258,922	336,248	535,430	624,568
Other expenses (note 13)	402,010	738,436	925,284	1,655,355
Development expense	160,199	-	160,199	-
Share based payment	991,036	528,020	1,160,297	953,044
Depreciation	38,066	27,956	69,016	62,072
Total expenses	<u>1,850,233</u>	<u>1,630,660</u>	<u>2,850,226</u>	<u>3,295,039</u>
Net investment income	6,881	22,563	12,025	40,241
Unrealized gain on fair value adjustment on investment properties (note 6)	-	6,112,423	-	7,936,746
Finance expense	-	13,784	-	13,784
Net income (loss) before income taxes	<u>(1,341,417)</u>	<u>5,033,379</u>	<u>(1,758,513)</u>	<u>5,845,582</u>
Recovery of (provision for) income taxes	<u>(11,579)</u>	<u>(485,715)</u>	<u>32,527</u>	<u>(601,757)</u>
Net income (loss) for the period	<u>(1,352,996)</u>	<u>4,547,664</u>	<u>(1,725,986)</u>	<u>5,243,825</u>
Net Income (loss) per share				
Basic				
From net income (loss) for the period	(0.04)	0.13	(0.05)	0.15
Diluted				
From net income (loss) for the period	(0.04)	0.13	(0.05)	0.15

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Mongolia Growth Group Ltd.

Condensed Interim Consolidated Statement of Comprehensive Income (Loss)

(Unaudited)

For the three and six month period ended June 30, 2015 and 2014

(expressed in Canadian dollars)

	For the three months ended June 30		For the six months ended June 30	
	2015 \$	2014 \$	2015 \$	2014 \$
Net income (loss) for the period	(1,352,996)	4,547,664	(1,725,986)	5,243,825
Other comprehensive income (loss)				
Items that may be subsequently reclassified to income or loss				
Unrealized gain (loss) on translation of financial statement operations with Mongolian MNT functional currency to Canadian dollar reporting currency	<u>(165,924)</u>	<u>(2,163,962)</u>	<u>1,918,343</u>	<u>(3,823,614)</u>
Total comprehensive income (loss)	<u>(1,518,920)</u>	<u>2,383,702</u>	<u>192,357</u>	<u>1,420,211</u>

The accompanying notes are an integral part of these interim consolidated financial statements.

Mongolia Growth Group Ltd.

Condensed Interim Consolidated Statement of Changes in Equity

(Unaudited)

For the six month period ended June 30, 2015 and 2014

(expressed in Canadian dollars)

	Share capital	Contributed surplus	Accumulated other comprehensive income	Deficit	Total
	\$	\$	\$	\$	\$
Balance at January 1, 2014	52,204,394	4,423,914	(6,086,341)	(5,219,409)	45,322,558
Net income for the period	-	-	-	5,243,825	5,243,825
Other comprehensive loss.	-	-	(3,823,614)	-	(3,823,614)
	52,204,394	4,423,914	(9,909,955)	24,416	46,742,769
Share capital issued	1,485,041	(722,141)	-	-	762,900
Share based payment	-	1,153,047	-	-	1,153,047
Balance at June 30, 2014	53,689,435	4,854,820	(9,909,955)	24,416	48,658,716

	Share capital	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total
	\$	\$	\$	\$	\$
Balance at January 1, 2015	53,789,459	5,815,656	(7,607,039)	(1,067,627)	50,930,449
Net loss for the period	-	-	-	(1,725,986)	(1,725,986)
Other comprehensive income	-	-	1,918,343	-	1,918,343
	53,789,459	5,815,656	(5,688,696)	(2,793,613)	51,122,806
Share capital issued	579,873	(54,506)	-	-	525,367
Share based payment	-	1,160,297	-	-	1,160,297
Balance at June 30, 2015	54,369,332	6,921,447	(5,688,696)	(2,793,613)	52,808,470

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Mongolia Growth Group Ltd.

Interim Consolidated Statement of Cash Flows

(Unaudited)

For the six month period ended June 30, 2015 and 2014

(expressed in Canadian dollars)

	June 30, 2015 \$	June 30, 2014 \$
Cash provided by (used in)		
Operating activities		
Net income (loss) for the period	(1,725,986)	5,243,825
Items not affecting cash		
Depreciation of property and equipment	69,016	62,072
Share based payment	1,160,297	953,044
Deferred taxes	(116,415)	612,196
Realized gain on disposal of investment properties (note 6)	(15,175)	(201,103)
Realized gain on disposal of property and equipment	(17,174)	-
Non cash finance expense	-	1,204
Unrealized gain on fair value adjustment on investment properties (note 6)	-	(7,936,746)
	(645,437)	(1,265,508)
Net change in non-cash working capital balances (note 11)	(518,386)	279,944
	(1,163,823)	(985,564)
Financing activities		
Proceeds from share issuance	-	762,900
Proceeds from long term debt, net of finance costs	-	3,237,161
	-	4,000,061
Investing activities		
Net disposal (acquisition) of property and equipment (note 7)	67,218	(8,569)
Net disposal (acquisition) of investment properties (note 6)	266,822	(3,703,411)
	334,040	(3,711,980)
Effect of exchange rates on cash	44,281	(347,459)
Decrease in cash and cash equivalents	(785,502)	(1,044,942)
Cash and cash equivalents - Beginning of period	1,645,421	5,370,319
Cash and cash equivalents - End of period	859,919	4,325,377

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

June 30, 2015

(expressed in Canadian dollars)

1 Corporate information

The accompanying unaudited condensed interim consolidated financial statements are of Mongolia Growth Group Ltd. (the Company). The Company is registered in Alberta, Canada, with its Head Office at its registered address at 1400, 700-2nd Street W, Calgary, Alberta, Canada. The Company is domiciled out of the Company's corporate office and principal place of business which is located at 100 King Street West, Suite 5600, Toronto, Ontario, M5X 1C9, Canada. The Company's Mongolian investment property operations are based out of its office located at the Mandal Building, at the corner of Chinggis Avenue and Seoul Street in Ulaanbaatar, Mongolia.

At June 30, 2015, the Company is organized into two business units based on the business operations:

- Big Sky Capital LLC and its subsidiaries own investment properties which are located in Ulaanbaatar, Mongolia and are held for the purpose of generating rental revenue, capital appreciation, and/or redevelopment; and
- The MGG Corporate office is located in Toronto, Canada and administers the financial resources, investment portfolio, corporate reporting and legal functions of the Company.

2 Basis of presentation

These unaudited condensed interim consolidated financial statements for the period ending June 30, 2015 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) applicable to the preparation of interim financial statements, including IAS 34 Interim Financial Reporting. The condensed interim consolidated financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2014, which have been prepared in accordance with IFRS as issued by the IASB.

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, and disclosures of contingent assets and liabilities at the date of the consolidated financial statements, revenue, and expenses during the applicable reporting periods. Critical accounting estimates and judgments are described in Note 4.

The interim condensed consolidated financial statements are prepared under the historical-cost convention, except certain financial instruments and investment properties are measured at their fair value.

The consolidated financial statements' values, including the notes to the consolidated financial statements, are presented in Canadian dollars (\$) which is the Company's presentation currency and the functional currency of the parent company. The functional currency of the Company's operating subsidiaries is the Mongolian National Tögrög (MNT).

The Company's property division experiences some seasonality with higher turnovers of rental contracts in the spring, summer and fall months. Due to the harsh winters experienced in Mongolia, tenants typically do not move or change location at this time as much as they would in the other seasons.

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

June 30, 2015

(expressed in Canadian dollars)

These condensed interim consolidated financial statements were approved for issue by the Board of Directors of the Company on August 24, 2015.

3 Significant accounting policies

The significant accounting policies are unchanged from those set out in the Company's 2014 annual consolidated financial statements except for the adoption of amendments described in Note 5. These policies have been applied to all periods presented in these interim consolidated financial statements, and have been applied consistently by both the Company and its subsidiaries using uniform accounting policies for like transactions and other events in similar circumstances.

4 Significant accounting estimates and judgements

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in net income (loss) in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Significant estimates made in the preparation of these condensed interim consolidated financial statements include the following areas:

- Fair value of investment properties - The estimate of fair value of investment properties is the most critical accounting estimate to the Company. An external appraiser estimates the fair value of the majority of investment properties annually. The fair value of investment properties is based on the nature, location and condition of the specific asset. The fair value of investment properties represents an estimate of the price that would be made in an arm's length transaction between knowledgeable, willing parties. The Company operates in the emerging real estate market of Mongolia, which given its current economic, political and industry conditions, gives rise to an increased inherent risk given the lack of reliable and comparable market information. The significant estimates underlying the fair value determination are disclosed in note 10 of the annual financial statements for the year ended December 31, 2014. Changes in assumptions about these factors could materially affect the carrying value of investment properties.

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

June 30, 2015

(expressed in Canadian dollars)

- Accuracy of share based compensation expense - The estimate of the ultimate expense arising from share based compensation plans is another critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the share based compensation expense recorded by the Company. The ultimate expense is estimated by using a number of key assumptions such as the expected volatility of the share price, the dividends expected on the shares, the risk-free interest rate for the expected life of the option and future forfeiture rates. Further information on key assumptions including sensitivity analysis is included in note 16 of the annual financial statements for the year ended December 31, 2014.
- Operating environment of the Company - Mongolia displays many characteristics of an emerging market including relatively high inflation and interest rates. The tax and customs legislation in Mongolia is subject to varying interpretations and frequent changes. The future economic performance of Mongolia is tied to the continuing demand from China and continuing high global prices for commodities as well as being dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government of Mongolia together with tax, legal, regulatory and political developments. Management is unable to predict all developments that could have an impact on the Mongolian economy and consequently what effect, if any, they could have on the future financial position of the Company.

5 Accounting Standards issued but not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2015 or later and have not been applied in preparing these consolidated financial statements. Those which are relevant to the Company are set out below. The Company does not plan to adopt these standards early and is continuing to evaluate the impact of such standards.

Annual Improvements 2012-2014 Cycle

In the 2012-2014 annual improvements cycle, the IASB issued five amendments to four standards, and will apply to annual periods beginning on or after January 1, 2016. The amendments affect IFRS 5 *Non-current assets held for sale and discontinued operations*, IFRS 7 *Financial Instruments: Disclosures*, IAS 19 *Employee Benefits*, and IAS 34 *Interim Financial Reporting*. The relevant proposed amendments are not expected to have a significant impact on the Company.

IFRS 9 Financial Instruments

IFRS 9, Financial Instruments, first issued in November 2009 with final version released in July 2014 by the IASB, brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39. IFRS 9 introduces a principles-based approach to the classification of financial assets based on an entity's business model and the nature of the cash flows of the asset. All financial assets, including hybrid contracts, are measured as at fair value through profit and loss (FVTPL), fair value through OCI or amortized cost.

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Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

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(expressed in Canadian dollars)

For financial liabilities, IFRS 9 includes the requirements for classification and measurement previously included in IAS 39.

IFRS 9 also introduces an expected loss impairment model for all financial assets not as at FVTPL. The model has three stages: (1) on initial recognition, 12-month expected credit losses are recognized in profit or loss and a loss allowance is established; (2) if credit risk increases significantly and the resulting credit risk is not considered to be low, full lifetime expected credit losses are recognized; and (3) when a financial asset is considered credit-impaired, interest revenue is calculated based on the carrying amount of the asset, net of the loss allowance, rather than its gross carrying amount.

Finally, IFRS 9 introduces a new hedge accounting model that aligns the accounting for hedge relationships more closely with an entity's risk management activities. The standard is effective for annual periods beginning on or after January 1, 2018 with earlier adoption permitted.

The Company is currently assessing the impact of IFRS 9 and plans to adopt the new standard on the required effective date.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.

The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company given that the Company has not used a revenue-based method to depreciate its non-current assets.

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

June 30, 2015

(expressed in Canadian dollars)

6 Investment properties

	June 30, 2015 \$	December 31, 2014 \$
Balance - beginning of period	48,458,517	32,313,391
Additions		
Acquisitions	-	9,099,706
Capital expenditures	479,912	1,435,909
Transfer from property and equipment	-	689,054
Transfer from prepaid deposits	750,869	722,572
Disposals	(992,270)	(5,228,204)
Unrealized fair value adjustment	-	10,801,466
Foreign exchange adjustments	1,880,850	(1,375,377)
	<hr/>	<hr/>
Balance - end of period	50,577,878	48,458,517

Four investment properties were sold during the six month period for cash consideration of \$1,007, 445 resulting in approximate net gains of \$15,175 on these transactions. Down payments of \$271,024 for several of these properties were received in 2014.

As of June 30, 2015, included in investment properties are seven investment properties actively being marketed for sale that are to be disposed without redevelopment with a fair value of \$1,005,929 (December 31, 2014 - \$1,109,821). Deposits in an amount of \$86,260 have been received in advance for the sale of three of these properties.

During the six month period ended June 30, 2015, management applied its judgment to calculate the fair value of investment properties using the income approach and the sales comparable approach, which are generally accepted appraisal methodologies.

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

June 30, 2015

(expressed in Canadian dollars)

7 Property and equipment

	2014				
	Furniture and fixtures \$	Equipment \$	Vehicles \$	Buildings \$	Total \$
December 31					
Cost	102,343	158,543	45,519	2,972,460	3,278,865
Accumulated depreciation	20,202	65,355	12,448	205,910	303,915
Net book value	82,141	93,188	33,071	2,766,550	2,974,950
	2015				
	Furniture and fixtures \$	Equipment \$	Vehicles \$	Buildings \$	Total \$
Cost					
At January 1	102,343	158,543	45,519	2,972,460	3,278,865
Reclassification		18,690	(18,771)	1	(80)
Additions	1,525	1,472	-	-	2,997
Disposal	(5,197)	(370)		(54,596)	(60,163)
Transfers	-	-	-	-	-
Foreign exchange adjustment	3,056	7,537	902	110,783	122,278
At June 30	101,727	185,872	27,650	3,028,648	3,343,897
	2015				
	Furniture and fixtures \$	Equipment \$	Vehicles \$	Buildings \$	Total \$
Accumulated depreciation					
At January 1	20,202	65,355	12,448	205,910	303,915
Reclassification	(1)	2,172	(2,251)		(80)
Depreciation	4,608	26,272	1,279	36,857	69,016
Disposal	(3,184)	(369)		(3,569)	(7,122)
Transfers	-	-	-	-	-
Foreign exchange adjustment	782	3,180	290	7,560	11,812
At June 30	22,407	96,610	11,766	246,758	377,541

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

June 30, 2015

(expressed in Canadian dollars)

Net book value at June 30	79,320	89,262	15,884	2,781,890	2,966,356
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8 Equity

Common shares issued

The common shares issued during the period were completed through the settlement of debt and the vesting of Restricted Stock Awards (“RSA”). The shares issued were as follows:

	Description	Number of shares issued	Amount \$
April 16, 2015	Debt Settlement	640,691	525,367
June 27, 2015	RSAs vested	23,393	54,506
		664,084	579,873

Stock options

A summary of the Company’s options as at June 30, 2015 and December 31, 2014 and changes during the periods then ended follows:

	June 30, 2015	Weighted average exercise price \$	December 31, 2014	Weighted average exercise price \$
Balance, beginning of period	2,448,000	2.61	1,957,000	3.76
Options cancelled	(615,000)	4.17	(297,000)	4.20
Options granted	1,575,000	0.73	1,538,000	1.70
Options forfeited	(50,000)	1.90	(360,000)	4.08
Options exercised	0	-	(390,000)	1.76
Balance, end of the period	3,358,000	1.45	2,448,000	2.61
Exercisable	2,298,750	1.48	1,385,000	2.46
Weighted remaining average life (years)		1.85		3.63

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

June 30, 2015

(expressed in Canadian dollars)

Restricted Stock Awards

A summary of the Company's RSAs as at June 30, 2015 and December 31, 2014 and changes during the periods then ended follows:

	June 30, 2015	December 31, 2014
Balance, beginning of period	46,786	46,786
RSAs cancelled	-	-
RSAs granted	-	-
RSAs forfeited	-	-
RSAs vested	(23,393)	-
	<hr/>	<hr/>
Balance, end of the period	<u>23,393</u>	<u>46,786</u>

During the first six months of the year, no new RSAs were granted, none were forfeited and 23,393 vested.

Weighted Average Number of Shares

The following table summarizes the shares used in calculating earnings (loss) per share:

	June 30, 2015	December 31, 2014
	\$	\$
Weighted average number of shares – basic	35,114,612	34,652,992
Effect of dilutive stock options	1,575,000	-
	<hr/>	<hr/>
Weighted average number of shares – diluted	<u>36,689,612</u>	<u>34,652,992</u>

Basic earnings (loss) per share are derived by dividing net income (loss) for the period by the weighted average number of common shares outstanding for the period. The effect of potentially dilutive securities is excluded if they are anti-dilutive.

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

June 30, 2015

(expressed in Canadian dollars)

9 Related party transactions

Parties are generally considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Key management personnel of the Company include all directors and executive management. The summary of compensation for key management personnel is as follows:

	June 30, 2015	June 30, 2014
	\$	\$
Salaries and other short-term employee benefits	51,291	207,674
Share-based payments	379,120	638,574
	<hr/>	<hr/>
	430,411	846,248
	<hr/>	<hr/>

10 Contingent Liabilities

From time to time and in the normal course of business, claims against the Company may be received. On the basis of management's assessments and professional legal advice, management is of the opinion that no material losses will be incurred and no provision or disclosure has been made in these condensed interim consolidated financial statements.

The Company indemnifies its directors and officers against any and all claims or losses reasonably incurred in the performance of their service to the Company to the extent permitted by law.

11 Supplementary cash flow information

	June 30, 2015	June 30, 2014
	\$	\$
Changes in non-working capital arising from		
Other assets	(76,120)	472,770
Trade payables and accrued liabilities	(510,908)	(129,938)
Income taxes payable	68,642	(62,888)
	<hr/>	<hr/>
Changes in non-cash working capital from operating activities	(518,386)	279,944
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Income taxes paid during the quarter were \$16,761 (June 30, 2014 \$64,914).

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

June 30, 2015

(expressed in Canadian dollars)

12 Segment information

The Company's Operations are conducted in two reportable segments as Investment Property Operations and Corporate Operations. The Company reports information about its operating segments based on the way management organizes and reports the segments within the organization for making operating decisions and evaluating performance.

Investment Property operations consist of commercial and residential investment property in Mongolia held for the purposes of rental revenue, capital appreciation or both. These properties are managed by Big Sky Capital LLC and its subsidiaries.

Corporate administers financial resources and the corporate investment portfolio and is comprised of investment income, corporate costs and other activities not specific to other reportable segments and is shown separately.

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(expressed in Canadian dollars)

The Company evaluates performance based on net income (loss) before income taxes.

	Six months ended June 30, 2015		
	Investment property \$	Corporate \$	Total \$
Rental income	1,031,927	-	1,031,927
Property operating expenses	(853,969)	-	(853,969)
Development expense	(160,199)	-	(160,199)
Unrealized gain on fair value adjustment on investment properties	-	-	-
Share based payment	(429,696)	(730,601)	(1,160,297)
Other expenses	(102,384)	(504,361)	(606,745)
Depreciation	(66,381)	(2,635)	(69,016)
Net investment income	11,980	45	12,025
Gain on disposal of investment properties	15,175	-	15,175
Other revenue	32,586	-	32,586
Net loss before income taxes	(520,961)	(1,237,552)	(1,758,513)

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

June 30, 2015

(expressed in Canadian dollars)

	Three months ended June 30, 2015		
	Investment property \$	Corporate \$	Total \$
Rental income	493,678	-	493,678
Property operating expenses	(445,546)	-	(445,546)
Development expense	(160,199)	-	(160,199)
Unrealized gain on fair value adjustment on investment properties	-	-	-
Share based payment	(321,117)	(669,919)	(991,036)
Other expenses	41,102	(256,489)	(215,387)
Depreciation	(35,431)	(2,635)	(38,066)
Net investment income	6,903	(22)	6,881
Other revenue	8,258	-	8,258
Net loss before income taxes	(412,352)	(929,065)	(1,341,417)

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

June 30, 2015

(expressed in Canadian dollars)

	Six months ended June 30, 2014		
	Investment property \$	Corporate \$	Total \$
Rental income	944,276	-	944,276
Property operating expenses	(877,022)	-	(877,022)
Development expense	-	-	-
Unrealized gain on fair value adjustment on investment properties	7,936,746	-	7,936,746
Share based payment	(297,036)	(656,008)	(953,044)
Other expenses	(478,566)	(938,119)	(1,416,685)
Depreciation	(58,719)	(3,353)	(62,072)
Net investment income	32,310	7,931	40,241
Gain on disposal of investment properties	202,039	-	202,039
Other revenue	30,842	261	31,103
Net income (loss) before income taxes	7,434,870	(1,589,288)	5,845,582

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

June 30, 2015

(expressed in Canadian dollars)

	Three months ended June 30, 2014		
	Investment property \$	Corporate \$	Total \$
Rental income	461,652	-	461,652
Property operating expenses	(498,389)	-	(498,389)
Development expense	-	-	-
Unrealized gain on fair value adjustment on investment properties	6,112,423	-	6,112,423
Share based payment	(169,238)	(358,782)	(528,020)
Other expenses	(206,801)	(383,278)	(590,079)
Depreciation	(26,279)	(1,677)	(27,956)
Net investment income	15,031	7,532	22,563
Gain on disposal of investment properties	59,218	-	59,218
Other revenue	21,967	-	21,967
Net income (loss) before income taxes	5,769,584	(736,205)	5,033,379

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

June 30, 2015

(expressed in Canadian dollars)

	June 30, 2015					
		Investment property \$	Corporate \$	Consolidated \$		
Total assets		54,614,059	176,374	54,790,433		
Property and equipment		2,957,325	9,031	2,966,356		
Investment properties		50,577,878	-	50,577,878		
Period Expenditures						
Property and equipment		2,997	-	2,997		
Investment properties		479,912	-	479,912		
				June 30, 2014		
		Investment property \$	Corporate \$	Consolidated \$		
Total assets		50,957,049	3,900,004	54,857,053		
Property and equipment		2,832,240	18,620	2,850,860		
Investment properties		43,429,344	-	43,429,344		
Period Expenditures						
Property and equipment		8,569	-	8,569		
Investment properties		8,932,000	-	8,932,000		
	Revenue		Property and equipment		Investment property	
	June 30, 2015 \$	June 30, 2014 \$	June 30, 2015 \$	June 30, 2014 \$	June 30, 2015 \$	June 30, 2014 \$
Canada	-	261	9,032	18,620	-	-
Mongolia	1,079,688	1,177,157	2,957,324	2,832,240	50,577,878	43,429,344
	1,079,688	1,177,418	2,966,356	2,850,860	50,577,878	43,429,344

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

June 30, 2015

(expressed in Canadian dollars)

13 Other expenses

	For the three months ended		For the six months ended	
	June 30		June 30	
	2015	2014	2015	2014
	\$	\$	\$	\$
Professional fees	162,515	352,213	373,849	856,263
Travel	35,614	59,757	48,462	93,388
Advertising	7,965	53,499	32,523	101,012
Land and property tax	43,927	76,097	107,577	164,346
Insurance	15,557	17,526	81,397	33,314
Utility expense	40,091	31,893	90,434	60,580
Other expenses	96,341	147,451	191,042	346,452
	<u>402,010</u>	<u>738,436</u>	<u>925,284</u>	<u>1,655,355</u>