

# **Mongolia Growth Group Ltd.**

Condensed Interim Consolidated Financial  
Statements

(Unaudited)

For the three and nine months ended

**September 30, 2016 and 2015**

(expressed in Canadian dollars)

# Mongolia Growth Group Ltd.

## Condensed Interim Consolidated Statements of Financial Position (Unaudited)

(expressed in Canadian dollars)

	September 30, 2016 \$	December 31, 2015 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	921,822	1,035,272
Marketable securities (note 5)	799,801	-
Other assets	259,480	327,999
	<u>1,981,103</u>	<u>1,363,271</u>
<b>Non-current assets</b>		
Investment properties (note 6)	32,651,592	46,473,749
Property and equipment (note 7)	2,134,491	2,978,150
	<u>36,767,186</u>	<u>50,815,170</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade payables and accrued liabilities	418,485	704,426
Income taxes payable	169,307	146,290
	<u>587,792</u>	<u>850,716</u>
<b>Non-current liabilities</b>		
Deferred income tax liability	680,486	990,109
	<u>1,268,278</u>	<u>1,840,825</u>
<b>Equity (note 8)</b>		
Share capital	54,253,897	54,369,332
Contributed surplus	6,849,977	6,738,875
Accumulated other comprehensive loss	(8,747,447)	(1,135,265)
Deficit	(16,857,519)	(10,998,597)
	<u>35,498,908</u>	<u>48,974,345</u>
<b>Total equity and liabilities</b>	<u>36,767,186</u>	<u>50,815,170</u>

Approved by the Board of Directors

“Robert Scott”

Director

“Harris Kupperman”

Director

# Mongolia Growth Group Ltd.

## Condensed Interim Consolidated Statement of Operations

(Unaudited)

**For the three and nine month period ended September 30 2016 and 2015**

(expressed in Canadian dollars)

	For the three months ended September 30		For the nine months ended September 30	
	2016 \$	2015 \$	2016 \$	2015 \$
<b>Revenue</b>				
Rental income	429,241	478,747	1,377,487	1,510,674
Loss on disposal of investment property	-	(154,152)	(161,253)	(138,977)
Other revenue	4,061	16,276	45,431	48,862
<b>Total revenue</b>	<b>433,302</b>	<b>340,871</b>	<b>1,261,665</b>	<b>1,420,559</b>
<b>Expenses</b>				
Salaries and wages	221,604	263,692	692,648	799,122
Other expenses (note 13)	233,206	384,478	889,908	1,309,762
Development expense	-	5,292	-	165,491
Share based payment	-	146,582	157,166	1,306,879
Depreciation	30,239	33,576	97,087	102,592
<b>Total expenses</b>	<b>485,049</b>	<b>833,620</b>	<b>1,836,809</b>	<b>3,683,846</b>
<b>Net investment income</b>	2,881	3,596	10,178	15,621
Unrealized loss on fair value adjustment on Investment properties (note 6)	-	(2,271,061)	(5,616,104)	(2,271,061)
Property and equipment (note 7)	-	-	(291,127)	-
Other assets	-	-	(9,129)	-
Unrealized gain on short-term investments (note 5)	516,617	-	516,617	-
	<b>516,617</b>	<b>(2,271,061)</b>	<b>(5,399,743)</b>	<b>(2,271,061)</b>
<b>Net income (loss) before income taxes</b>	<b>467,751</b>	<b>(2,760,214)</b>	<b>(5,964,709)</b>	<b>(4,518,727)</b>
<b>Recovery of (provision for) income taxes</b>	<b>(33,692)</b>	<b>58,724</b>	<b>105,787</b>	<b>91,251</b>
<b>Net income (loss) for the period</b>	<b>434,059</b>	<b>(2,701,490)</b>	<b>(5,858,922)</b>	<b>(4,427,476)</b>
<b>Net gain (loss) per share</b>				
Basic				
From net gain (loss) for the period	0.01	(0.08)	(0.17)	(0.13)
Diluted				
From net gain (loss) for the period	0.01	(0.08)	(0.17)	(0.13)

# Mongolia Growth Group Ltd.

## Condensed Interim Consolidated Statement of Comprehensive Income (Loss)

(Unaudited)

**For the three and nine month period ended September 30 2016 and 2015**

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(expressed in Canadian dollars)

	For the three months ended		For the nine months ended	
	September 30		September 30	
	2016	2015	2016	2015
	\$	\$	\$	\$
<b>Net income (loss) for the period</b>	434,059	(2,701,490)	(5,858,922)	(4,427,476)
<b>Other comprehensive income (loss)</b>				
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>(4,878,185)</u>	<u>2,346,072</u>	<u>(7,612,182)</u>	<u>4,264,415</u>
<b>Total comprehensive loss</b>	<u>(4,444,126)</u>	<u>(355,418)</u>	<u>(13,471,104)</u>	<u>(163,061)</u>

# Mongolia Growth Group Ltd.

## Condensed Interim Consolidated Statement of Changes in Equity

(Unaudited)

**For the nine month period ended September 30 2016 and 2015**

(expressed in Canadian dollars)

	Share capital \$	Contributed surplus \$	Accumulated other comprehensive loss \$	Deficit \$	Total \$
<b>Balance at January 1, 2015</b>	53,789,459	5,815,656	(7,607,039)	(1,067,627)	50,930,449
Net loss for the period	-	-	-	(4,427,476)	(4,427,476)
Other comprehensive income	-	-	4,264,415	-	4,264,415
	53,789,459	5,815,656	(3,342,624)	(5,495,103)	50,767,388
Share capital issued	579,873	(54,506)	-	-	525,367
Share based payment	-	1,307,117	-	-	1,307,117
<b>Balance at September 30, 2015</b>	<b>54,369,332</b>	<b>7,068,267</b>	<b>(3,342,624)</b>	<b>(5,495,103)</b>	<b>52,599,872</b>

	Share capital \$	Contributed surplus \$	Accumulated other comprehensive loss \$	Deficit \$	Total \$
<b>Balance at January 1, 2016</b>	54,369,332	6,738,875	(1,135,265)	(10,998,597)	48,974,345
Net loss for the period	-	-	-	(5,858,922)	(5,858,922)
Other comprehensive loss	-	-	(7,612,182)	-	(7,612,182)
Share capital issued	46,064	(46,064)	-	-	-
Share repurchase	(64,818)	-	-	-	(64,818)
Share based payment	-	157,166	-	-	157,166
Treasury stock	(96,681)	-	-	-	(96,681)
<b>Balance at September 30, 2016</b>	<b>54,253,897</b>	<b>6,849,977</b>	<b>(8,747,447)</b>	<b>(16,857,519)</b>	<b>35,498,908</b>

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 nine month period ended September 30 2016 and 2015**

(expressed in Canadian dollars)

	September 30, 2016 \$	September 30, 2015 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net loss for the period	(5,858,922)	(4,427,476)
Items not affecting cash		
Depreciation of property and equipment	97,087	102,592
Share based payment	157,166	1,306,879
Deferred taxes	(159,131)	(166,957)
Bad debt write off	3,253	-
Realized loss on disposal of investment properties (note 6)	161,253	138,977
Realized loss (gain) on disposal of property and equipment	5,273	(17,175)
Unrealized gain on marketable securities (note 5)	(516,617)	-
Unrealized loss on fair value adjustment on property and equipment (note 7)	291,127	-
Unrealized loss on other assets	9,129	-
Unrealized loss on fair value adjustment on investment properties (note 6)	5,616,104	2,271,061
	<u>(194,278)</u>	<u>(792,099)</u>
Net change in non-cash working capital balances (note 11)	<u>(3,099)</u>	<u>(369,003)</u>
	<b><u>(197,377)</u></b>	<b><u>(1,161,102)</u></b>
<b>Financing activities</b>		
Share repurchase	<u>(161,499)</u>	-
	<b><u>(161,499)</u></b>	-
<b>Investing activities</b>		
Acquisition of marketable securities (note 5)	(283,144)	-
Net disposal (acquisition) of property and equipment (note 7)	(16,005)	27,129
Net disposal of investment properties (note 6)	649,645	615,120
	<u>350,496</u>	<u>642,249</u>
<b>Effect of exchange rates on cash</b>	<u>(105,070)</u>	71,871
<b>Decrease in cash and cash equivalents</b>	(113,450)	(446,982)
<b>Cash and cash equivalents - Beginning of period</b>	<u>1,035,272</u>	<u>1,645,421</u>
<b>Cash and cash equivalents - End of period</b>	<b><u>921,822</u></b>	<b><u>1,198,439</u></b>

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)

**September 30, 2016**

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(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, 700-2<sup>nd</sup> 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 MGG Properties Building, on Seoul Street in Ulaanbaatar, Mongolia.

At September 30, 2016, 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 September 30, 2016 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, 2015, 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.

Financial assets classified as Fair Value Through Profit or Loss (FVTPL) are measured at fair value with unrealized gains and losses recognized through profit or loss. The Company has classified its marketable securities as FVTPL using unadjusted quoted prices in active markets to determine fair value at each reporting period end.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

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

# **Mongolia Growth Group Ltd.**

## **Notes to Condensed Interim Consolidated Financial Statements**

(Unaudited)

**September 30, 2016**

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(expressed in Canadian dollars)

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.

These condensed interim consolidated financial statements were approved for issue by the Board of Directors of the Company on November 15, 2016.

### **3 Significant accounting policies**

The significant accounting policies are unchanged from those set out in the Company's 2015 annual consolidated financial statements. 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 7 of the annual financial statements for the year ended December



# Mongolia Growth Group Ltd.

## Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

**September 30, 2016**

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(expressed in Canadian dollars)

31, 2015. Changes in assumptions about these factors could materially affect the carrying value of investment properties.

- Valuation of marketable securities and investments - The Company recognizes marketable securities and investments at fair value. Fair value is determined on the basis of market prices from independent sources, if available. If there is no market price, then the fair value is determined by using valuation models with inputs derived from observable market data where possible but where observable data is not available, judgment is required to establish fair values.
- There is inherent uncertainty and imprecision in estimating the factors that can affect fair value, and in estimating fair values generally, when observable data is not available. Changes in assumptions and inputs used in valuing financial instruments could affect reported fair values.
- 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 11 of the annual financial statements for the year ended December 31, 2015.
- 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 Marketable Securities

	September 30, 2016	December 31, 2015
	\$	\$
<b>Common shares of public companies:</b>		
<b>Fair value - beginning of the period</b>	-	-
Purchases	283,144	-
Foreign exchange gains	40	-
Unrealized gains	516,617	-
<b>Fair value - end of the period</b>	<u>799,801</u>	-

# Mongolia Growth Group Ltd.

## Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

**September 30, 2016**

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(expressed in Canadian dollars)

### 6 Investment properties

	September 30, 2016	December 31, 2015
	\$	\$
Balance - beginning of period	46,473,749	48,458,517
Capital expenditures	22,617	832,245
Transfer from prepaid deposits	-	750,869
Disposals	(1,010,813)	(1,785,637)
Unrealized fair value adjustment	(5,616,104)	(7,926,701)
Foreign exchange adjustments	(7,217,857)	6,144,456
	<hr/>	<hr/>
Balance - end of period	32,651,592	46,473,749

During the nine month period ended September 30, 2016, three investment property were sold for cash considerations of \$849,560 resulting in a net loss of \$161,253 on the transaction. In comparison, during the nine month period ended September 30, 2015, nine investment properties were sold for cash consideration of \$1,510,468 resulting in net loss of \$138,977 on these transactions.

During the nine month period ended September 30, 2016, 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. As a result, during the second quarter of 2016, the company's property portfolio incurred a total impairment of \$5,916,360. The majority of this impairment (\$5,616,104) took place on properties classified as Investment Properties, a \$291,127 impairment was taken on properties classified as PP&E, and a \$9,129 impairment on properties classified as other assets.

During the period, the company had capital expenditures of \$77,839, however these expenditures were offset by the cancellation of an unfinished contract of \$55,222, resulting in net capital expenditures of \$22,617 during the period.

As of September 30, 2016, included in investment properties are six (Dec 2015 – four) investment properties actively being marketed for sale that are to be disposed without redevelopment with a fair value of \$2,512,753 (December 31, 2015 - \$2,970,114).

# Mongolia Growth Group Ltd.

## Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

**September 30, 2016**

(expressed in Canadian dollars)

### 7 Property and equipment

					<b>2015</b>
	<b>Furniture and fixtures \$</b>	<b>Equipment \$</b>	<b>Vehicles \$</b>	<b>Buildings \$</b>	<b>Total \$</b>
<b>December 31</b>					
Cost	108,439	240,759	30,248	3,072,284	3,451,730
Accumulated depreciation	(28,915)	(123,304)	(14,382)	(306,979)	(473,580)
<b>Net book value</b>	<b>79,524</b>	<b>117,455</b>	<b>15,866</b>	<b>2,765,305</b>	<b>2,978,150</b>
					<b>2016</b>
	<b>Furniture and fixtures \$</b>	<b>Equipment \$</b>	<b>Vehicles \$</b>	<b>Buildings \$</b>	<b>Total \$</b>
<b>Cost</b>					
<b>At January 1</b>	108,439	240,759	30,248	3,072,284	3,451,730
Additions	-	287	-	24,833	25,120
Disposal	-	(494)	(26,309)	-	(26,803)
Impairment	-	-	-	(291,127)	(291,127)
Foreign exchange adjustment	(16,856)	(25,458)	(3,939)	(494,322)	(540,575)
<b>At September 30</b>	<b>91,583</b>	<b>215,094</b>	<b>-</b>	<b>2,311,668</b>	<b>2,618,345</b>
					<b>2016</b>
	<b>Furniture and fixtures \$</b>	<b>Equipment \$</b>	<b>Vehicles \$</b>	<b>Buildings \$</b>	<b>Total \$</b>
<b>Accumulated depreciation</b>					
<b>At January 1</b>	28,915	123,304	14,382	306,979	473,580
Depreciation	7,296	36,369	1,074	52,348	97,087
Disposal	-	(21)	(12,394)	-	(12,415)
Foreign exchange adjustment	(2,793)	(10,886)	(3,062)	(57,657)	(74,398)
<b>At September 30</b>	<b>33,418</b>	<b>148,766</b>	<b>-</b>	<b>301,670</b>	<b>483,854</b>
<b>Net book value at September 30</b>	<b>58,165</b>	<b>66,328</b>	<b>-</b>	<b>2,009,998</b>	<b>2,134,491</b>

# Mongolia Growth Group Ltd.

## Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

September 30, 2016

(expressed in Canadian dollars)

### 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 and proceeds raised were as follows:

	Description	Number of shares issued	Amount \$
June 27, 2016	RSAs vested	19,770	46,064
		<b>19,770</b>	<b>46,064</b>

#### Common shares purchased

During the nine month period, 441,000 shares were purchased at an average price of \$0.37 per share.

#### Common shares cancelled

During the nine month period, 160,500 shares were cancelled and 280,500 were held in treasury at September 30, 2016.

#### Stock options

A summary of the Company's options as at September 30, 2016 and December 31, 2015 and changes during the periods then ended follows:

	September 30, 2016	Weighted average exercise price \$	December 31, 2015	Weighted average exercise price \$
Balance, beginning of period	3,288,000	1.45	2,448,000	2.61
Options expired	(275,000)	3.90	(50,000)	1.75
Options cancelled	-	-	(615,000)	3.98
Options granted	350,000	0.38	1,575,000	0.73
Options forfeited	-	-	(70,000)	1.56
Options exercised	-	-	-	-
Balance, end of the period	<b>3,363,000</b>	<b>1.11</b>	<b>3,288,000</b>	<b>1.45</b>
Exercisable	<b>3,363,000</b>	<b>1.11</b>	<b>2,510,500</b>	<b>1.53</b>
Weighted remaining average life (years)	-	2.99	-	3.51

# Mongolia Growth Group Ltd.

## Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

**September 30, 2016**

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(expressed in Canadian dollars)

### Restricted Stock Awards

A summary of the Company's RSAs as at September 30, 2016 and December 31, 2015 and changes during the periods then ended follows:

	September 30, 2016	December 31, 2015
Balance, beginning of period	23,393	46,786
RSAs cancelled	-	-
RSAs granted	-	-
RSAs forfeited	(3,623)	-
RSAs vested	(19,770)	(23,393)
	<hr/>	<hr/>
Balance, end of the period	-	23,393

During the first nine months of the year, no new RSAs were granted, 3,623 were forfeited and 19,770 vested.

### Weighted Average Number of Shares

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

	September 30, 2016 \$	December 31, 2015 \$
Weighted average number of shares – basic	35,430,404	35,315,357
Effect of dilutive stock options	-	-
	<hr/>	<hr/>
Weighted average number of shares – diluted	35,430,404	35,315,357

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.

## 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:

# Mongolia Growth Group Ltd.

## Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

**September 30, 2016**

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(expressed in Canadian dollars)

	September 30, 2016 \$	September 30, 2015 \$
Salaries and other short-term employee benefits	141,018	177,575
Share-based payments	64,372	429,117
	<u>205,390</u>	<u>606,692</u>

### 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

	September 30, 2016 \$	September 30, 2015 \$
Changes in non-working capital arising from		
Other assets	23,823	(20,223)
Trade payables and accrued liabilities	(80,953)	(391,287)
Income taxes payable	54,031	42,507
	<u>(3,099)</u>	<u>(369,003)</u>
Changes in non-cash working capital from operating activities	<u>(3,099)</u>	<u>(369,003)</u>

Income tax paid during the quarter was \$21,678 (September 30, 2015 \$6,850).

### 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.

# Mongolia Growth Group Ltd.

## Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

**September 30, 2016**

(expressed in Canadian dollars)

Corporate Operations 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.

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

	<b>Nine months ended September 30, 2016</b>		
	<b>Investment property \$</b>	<b>Corporate \$</b>	<b>Total \$</b>
Rental income	1,377,487	-	1,377,487
Property operating expenses	(1,058,873)	-	(1,058,873)
Unrealized loss on fair value adjustment on Investment properties	(5,916,360)	-	(5,916,360)
Unrealized Mark to Market gain	-	516,617	516,617
Share based payment	(59,063)	(98,103)	(157,166)
Other expenses	(192,818)	(330,865)	(523,683)
Depreciation	(93,395)	(3,692)	(97,087)
Net investment income	10,144	34	10,178
Loss on disposal of Investment properties	(161,253)	-	(161,253)
Other revenue	45,431	-	45,431
<b>Net income (loss) before income taxes</b>	<b>(6,048,700)</b>	<b>83,991</b>	<b>(5,964,709)</b>

	<b>Three months ended September 30, 2016</b>		
	<b>Investment property \$</b>	<b>Corporate \$</b>	<b>Total \$</b>
Rental income	429,241	-	429,241
Property operating expenses	(322,729)	-	(322,729)
Unrealized loss on fair value adjustment on investment properties	-	-	-
Unrealized Mark to Market gain/loss	-	516,617	516,617
Share based payment	-	-	-
Other expenses	(37,203)	(94,878)	(132,081)
Depreciation	(29,131)	(1,108)	(30,239)
Net investment income	2,849	32	2,881
Loss on disposal of investment properties	-	-	-
Other revenue	4,061	-	4,061
<b>Net income before income taxes</b>	<b>47,088</b>	<b>420,663</b>	<b>467,751</b>

# Mongolia Growth Group Ltd.

## Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

**September 30, 2016**

(expressed in Canadian dollars)

	<u>Nine months ended September 30, 2015</u>		
	<u>Investment property \$</u>	<u>Corporate \$</u>	<u>Total \$</u>
Rental income	1,510,674	-	1,510,674
Property operating expenses	(1,260,949)	-	(1,260,949)
Non capitalized development expense	(165,491)	-	(165,491)
Unrealized gain (loss) on fair value adjustment on investment properties	(2,271,061)	-	(2,271,061)
Share based payment	(520,404)	(786,475)	(1,306,879)
Other expenses	(145,127)	(702,808)	(847,935)
Depreciation	(98,626)	(3,966)	(102,592)
Net investment income	15,725	(104)	15,621
Gain on disposal of investment properties	(138,977)	-	(138,977)
Other revenue	48,862	-	48,862
<b>Net loss before income taxes</b>	<b>(3,025,374)</b>	<b>(1,493,353)</b>	<b>(4,518,727)</b>

	<u>Three months ended September 30, 2015</u>		
	<u>Investment property \$</u>	<u>Corporate \$</u>	<u>Total \$</u>
Rental income	478,747	-	478,747
Property operating expenses	(406,980)	-	(406,980)
Non capitalized development expense	(5,292)	-	(5,292)
Unrealized gain (loss) on fair value adjustment on investment properties	(2,271,061)	-	(2,271,061)
Share based payment	(90,708)	(55,874)	(146,582)
Other expenses	(42,473)	(198,447)	(241,190)
Depreciation	(32,245)	(1,331)	(33,576)
Net investment income	3,745	(149)	3,596
Loss on disposal of investment properties	(154,152)	-	(154,152)
Other revenue	16,276	-	16,276
<b>Net loss before income taxes</b>	<b>(2,504,413)</b>	<b>(255,801)</b>	<b>(2,760,214)</b>



# Mongolia Growth Group Ltd.

## Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

**September 30, 2016**

(expressed in Canadian dollars)

	<b>September 30, 2016</b>		
	<b>Investment property \$</b>	<b>Corporate \$</b>	<b>Consolidated \$</b>
<b>Total assets</b>	35,454,203	1,312,983	36,767,186
Property and equipment	2,131,812	2,679	2,134,491
Investment properties	32,651,592	-	32,651,592
<b>Period Expenditures</b>			
Property and equipment	25,120	-	25,120
Investment properties	22,617	-	22,617

	<b>September 30, 2015</b>		
	<b>Investment property \$</b>	<b>Corporate \$</b>	<b>Consolidated \$</b>
<b>Total assets</b>	54,232,137	263,324	54,495,461
Property and equipment	3,100,232	7,701	3,107,933
Investment properties	49,844,568	-	49,844,568
<b>Period Expenditures</b>			
Property and equipment	43,087	-	43,087
Investment properties	522,138	-	522,138

	<b>Revenue</b>		<b>Property and equipment</b>		<b>Investment property</b>	
	<b>September 30, 2016 \$</b>	<b>September 30, 2015 \$</b>	<b>September 30, 2016 \$</b>	<b>September 30, 2015 \$</b>	<b>September 30, 2016 \$</b>	<b>September 30, 2015 \$</b>
Canada	-	-	2,679	7,701	-	-
Mongolia	1,261,665	1,420,559	2,131,812	3,100,232	32,651,592	49,844,568
	<b>1,261,665</b>	<b>1,420,559</b>	<b>2,134,491</b>	<b>3,107,933</b>	<b>32,651,592</b>	<b>49,844,568</b>

# Mongolia Growth Group Ltd.

## Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

**September 30, 2016**

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(expressed in Canadian dollars)

### 13 Other expenses

	For the three months ended		For the nine months ended	
	September 30		September 30	
	2016	2015	2016	2015
	\$	\$	\$	\$
Investor Relations	3,113	52,132	24,251	133,923
Repairs and Maintenance	25,770	14,171	72,353	47,160
Office Expense	13,685	25,521	47,649	68,665
Professional fees	80,052	138,056	333,344	515,299
Travel	17,553	29,075	39,225	96,894
Advertising	4,829	1,365	13,376	11,086
Land and property tax	31,888	60,769	130,954	167,376
Insurance	13,153	15,200	45,454	96,597
Utility expense	29,262	35,316	115,918	124,959
Other expenses	13,901	12,873	67,384	47,803
	<b>233,206</b>	<b>384,478</b>	<b>889,908</b>	<b>1,309,762</b>

### 14 Events Subsequent to Quarter End

On October 28, 2016, the Corporation signed a Memorandum of Understanding to sell a property valued at \$814,351 for \$1,339,600 cash plus various additional properties of an indeterminate value. A deposit of \$669,800 has been received to date.