

MONGOLIA GROWTH GROUP LTD.

MANAGEMENT DISCUSSION & ANALYSIS

First Quarter 2017

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TO THE SHAREHOLDERS OF MGG:

First quarter AFFO saw an improvement since previous quarters, improving from negative \$119,237 in the first quarter of 2016, to negative \$57,379 in 2017's first quarter. This was the result of the Corporation's efforts to reduce expenses offset by a continued decline in revenue due to Mongolia's economic crisis.

In order to offset the continued depreciation of the Mongolian currency, MGG enacted a broad-based compensation review that re-set most employee wages to higher rates adjusted for the past two years of currency depreciation, along with offering raises to certain key employees. This initiative was well overdue as the Corporation had effectively initiated a salary freeze over the past two years. It is expected that these salary adjustments will negatively impact our AFFO going forward however we expect other expense to remain roughly inline with the levels of prior quarters going forward.

Offsetting these increases in expenses, the first quarter of 2017 saw a continued decline in our leasing revenues due to the economic crisis in Mongolia and lower rental rates that are prevailing across Ulaanbaatar. However, our occupancy continues to remain substantially higher than market rates. The first quarter was also the first quarter where our agency business showed material traction. MGG closed 7 transactions during the first quarter and earned approximately \$11,000 in revenue from brokerage transactions. While we expect this business to continue growing, we are being realistic in terms of its ultimate profit potential and see it more in terms of helping our agents to get deal flow to help our existing properties—rather than as a substantial profit center. Our goal is to operate this business at roughly break-even and continue to contribute all profits towards additional marketing resources.

In terms of our publicly traded securities holdings; during the quarter, MGG purchased an additional 1,000,000 shares of Mongolian Mining Corporation (975 – Hong Kong) at an average price of 27.8 Hong Kong cents. As at quarter end, MGG owned 20,000,000 shares. Based on recent management guidance of approximately 4.5 million tons of coal exports in 2017 and 7.0 million tons in 2018, the shares are trading at between one and two times 2017 cash flow before tax and less than one times 2018 cash flow before tax, assuming that coal prices and operating costs remain at roughly current levels. Additionally, it is highly likely that if the Government of Mongolia is able to successfully conclude an international joint venture to operate the Tavan Tolgoi coal deposit, Mongolian Mining Corp will likely feature significantly in this joint venture as the most capable local Mongolian partner. While the value of our share position declined during the quarter, we believe that the shares remain undervalued. Over time, we anticipate that our current and future share ownership positions will be volatile, but likely to produce positive returns to shareholders.

During the first quarter, MGG sold one property asset for a value of \$1,448,995. MGG is focused on selling additional assets in order to increase liquidity and offset future anticipated operating losses, while ensuring that the Corporation has excess liquidity to invest in attractive future opportunities such as Mongolian Mining Corp. One of my regrets during 2016 was that we did not have enough liquidity to build a much larger position in that investment when the shares were around 11 cents. I do not intend for MGG to be in a similar position in the future—even if that means that we must sell property assets at sizable discounts to current carrying values in order to generate additional liquidity.

Unfortunately, the Mongolian economy continues to contract and is unlikely to bottom unless at least one mega-project is finalized. Until then, it is expected that our revenues will continue to decline while our costs are likely to be stable or increase going forward. As we are not AFFO positive currently and unlikely to be AFFO positive in the future, our goal is to continue selling assets in order to increase our liquidity and ride out the crisis as best as possible.

Despite everything that I've said above, I believe that our shares are highly undervalued. During the first quarter, the Corporation repurchased 196,000 at an average price of \$0.34. Despite our very limited liquidity, I believe that repurchasing shares remains a good use of our capital and the Corporation will continue on this path as long as the shares remain highly undervalued and we have sufficient liquidity to continue repurchasing shares. The current economic situation in Mongolia is bleak and likely to get worse—yet I haven't lost hope in the ultimate future for MGG. As evidence of that, since the start of the year, I have also purchased additional shares and intend to continue to increase my shareholding in MGG over time.

Sincerely,



Harris Kupperman

MONGOLIA GROWTH GROUP LTD.

Management Discussion & Analysis

March 31, 2017

The management of Mongolia Growth Group Ltd. (“MGG” or “the Corporation”) presents the Corporation’s management discussion and analysis for the three months ended March 31, 2017 (the “MD&A”), compared with the three months ended March 31, 2016. As of January 1, 2011, the Corporation adopted International Financial Reporting Standards (“IFRS”). This MD&A provides an overall discussion, followed by analyses of the performance of the Corporation’s major reportable segments. The reporting and presentation currency in the Consolidated Financial Statements and in this discussion and analysis is the Canadian dollar, unless otherwise noted.

This MD&A is dated May 19, 2017 and incorporates all relevant information and considerations to that date.

The following discussion and analysis should be read in conjunction with the Consolidated Condensed Financial Statements of the Corporation for the three months ended March 31, 2017 and March 31, 2016 together with all of the notes, risk factors and information contained therein, available on SEDAR at www.sedar.com.

Non-IFRS Financial Measures

This MD&A makes reference to adjusted earnings before interest, taxes, unrealized fair value adjustments, share based payments, depreciation and amortization (“**Adjusted EBITDA**”). The Corporation uses Adjusted EBITDA as a measure of the performance of its operating subsidiaries as it excludes depreciation and interest charges, which are a function of the Corporation’s specific capital structure, and also excludes entity specific tax expense. These amounts are not performance measures as defined under IFRS and should not be considered either in isolation of, or as a substitute for, net earnings prepared in accordance with IFRS. The Corporation refers to “funds used in operations”, “operating losses” and “re-valuation of investment properties” within this analysis. “Funds used in operations” is computed by calculating the cash flow from operations before changes to non-cash working capital from operations. “Operating Profits” is computed by calculating the profit before tax and any fair value adjustments. The Corporation also refers to Funds from Operations (“FFO”) and Adjusted Funds from Operations (“AFFO”). “FFO” is not defined under IFRS. The Corporation calculates FFO in accordance with the Real Property Association of Canada (“REALpac”) White Paper on Funds from Operations issued April 2014. FFO is defined by the Corporation as net income (loss) and comprehensive income (loss) calculated in accordance with IFRS, excluding: (i) Unrealized change in fair value of investment properties (ii) depreciation and amortization of investment properties; (iii) gains (or losses) from sales of investment properties and equipment; (iv) tax on gains or losses of sale on investment properties (v) deferred income tax (expense) recovery net of foreign exchange adjustments (vi) impairment/losses on all real estate assets (vii) Gains or losses on PPE properties (viii) share based payments. Additionally, the Corporation excludes gains or losses on publicly traded securities along with the tax impact of such gains and losses which are not related to its real estate operations. “AFFO” is not defined under IFRS and may not be comparable to AFFO used by other issuers. The Corporation has defined AFFO as FFO subject to certain adjustments, including: development expenses not capitalized, large one-time revenue or expense items and other adjustments as determined by Management. Management has recently revisited its calculation of deferred taxes. Previous calculations of deferred taxes included changes in foreign exchange fluctuations. Due to the recent currency fluctuations, the Company has adopted a policy of calculating the change in deferred taxes by calculating the change in deferred taxes in the Statement of Cash Flows rather than the change of deferred taxes on the Balance Sheet.

Forward Looking Statements

This MD&A contains forward-looking statements relating to future events. In some cases, forward-looking statements can be identified by words such as “anticipate”, “continue”, “estimate”, “expect”, “forecast”, “may”, “will”, “project”, “should”, “believe”, or similar expressions. These statements represent management’s best projections but undue reliance should not be placed upon them as they are derived from numerous assumptions. These assumptions are subject to known and unknown risks and uncertainties, including the “Risks and Uncertainties” as discussed herein. Actual performance and financial results will differ from any projections of future performance or results expressed or implied by such forward looking statements and the difference may be material.

Accordingly, readers are cautioned that events or circumstances could cause results to differ materially from those predicted. From time to time, the Corporation's management may make estimates and have opinions that form the basis for the forward-looking statements. The Corporation assumes no obligation to update such statements if circumstances, management's estimates, or opinions change.

Forward-looking information is necessarily based upon a number of assumptions that, while considered reasonable by management, are inherently subject to significant business, economic and competitive uncertainties and contingencies. MGG cautions the reader that such forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results and developments to differ materially from those expressed or implied by such forward-looking information. Such risks and uncertainties include, but are not limited to: risks associated with investment in and development of real property in Mongolia; competition, financing and refinancing risks; risks related to economic conditions; risks related to regulation of the real estate business in Mongolia; political risk in Mongolia; changes in Mongolian taxation rules; reliance on key personnel; environmental matters; tenant risks; investment and trading risks, regulatory risks, and other risk factors more particularly described in MGG's filings with Canadian securities regulators, which filings are available at www.sedar.com. Additional risks and uncertainties not presently known to MGG or that MGG currently believes to be less significant may also adversely affect MGG. Forward-looking information is designed to help you understand management's current views of our near and longer term prospects, and it may not be appropriate for other purposes. MGG does not undertake any obligation to update or revise forward-looking information, whether as a result of new information, future events or otherwise, except to the extent legally required.

Forward looking statements are included within the Outlook, CEO Message to Shareholders and Executive Strategy sections of this MD&A.

Section 1 – Overview

Financial and Operational Overview

During the first quarter of 2017, the Corporation continued to focus on ensuring that occupancy remained high and outstanding rents were collected, despite the weakening Mongolian economy.

The Corporation's rental revenue decreased by 21.6% over the same quarter last year, which was largely as a result of an increasing amount of rental discounts provided to tenants and a weaker currency. Additionally, the Corporation was forced to reduce rental rates on many property assets when leases came up for renewal. The Corporation's office space experienced higher vacancy rates than usual due to the departure of a significant tenant at the Corporation's head office. The Corporation is working to increase the occupancy at this property, but has struggled to fill this space due to an oversupply of office space and a weakening economy. However, during the second quarter, the Corporation signed a lease that will reduce this vacancy and increase rental revenues in future quarters. Additionally, rental rates have continued to decline, particularly in the office market, leading to an expectation that rental revenue will continue to decline in future quarters. While the Corporation experienced a low level of bad debt expense during the first quarter, an increased number of tenants are late on their rental payments. It is expected that bad debt expense will increase in future quarters if these delinquent rents are charged off. Weakness in the economy has led to decreases in the Corporation's occupancy rates particularly in the office space sector which had an occupancy rate of 83.9% at the end of the quarter dragging down the Corporation's overall weighted average occupancy rate to 88.6%.

During 2015 and 2016, the Corporation focused on reducing costs and establishing a more pragmatic cost structure in relation to expected future revenues. Unfortunately, during the first quarter of 2017, the Corporation experienced a number of one-time expenses. These expenses are not expected to continue in future quarters. However, recent increases in salaries for employees are expected to establish a higher overall cost structure going forward. The Corporation remains committed to ensuring that it keeps costs to a minimum going forward.

During the first quarter of 2017, AFFO losses decreased from \$119,237 to \$57,379 when compared to the first quarter of 2016 due a decrease in run rate expenses.

The Corporation did not record an unrealized fair value loss on its investment properties portfolio during the quarter (Q1 2016-nil). If market values continue to decline, the Corporation will likely need to record unrealized fair value losses in future quarters.

During the first quarter, one investment property was sold for cash consideration of \$1,317,608 and properties worth an estimated \$131,387. It is anticipated that the Corporation will continue to dispose of properties in future quarters in order to fund future operating losses, working capital needs, and the NCIB program, along with future investments in public securities.

During the quarter, the Mongolian Tögrög appreciated versus the Canadian dollar from 1,848 MNT/CAD on December 31, 2016 to 1,836 MNT/CAD on March 31 2017; a 0.6% increase during the quarter as the currency showed signs of stabilizing. This appreciation led to a \$311,890 comprehensive gain (Q1 2016 – \$4,254,751 loss) during the quarter. During 2016, the Corporation experienced some difficulty in converting Mongolian Tögrög to U.S. Dollars as banks seemed to have a shortage of U.S. Dollars. To date, banks have at times imposed various daily limits on convertibility that have hindered the Corporation's ability to convert even small quantities of currency. The Corporation continues to transfer money back to its Canadian headquarters, however there is no certainty that the Mongolian banks will continue to allow such transfers in the future. The Corporation tries to keep as little of its cash reserves in Mongolian Tögrög as is possible to operate the business.

Economic Overview

During recent years, the Mongolian real estate sector has benefitted from significant local economic growth. The majority of this recent growth is attributable to the mining and construction booms taking place in Mongolia, mainly resulting from the opening of the Oyu Tolgoi and Tavan Tolgoi deposits located in the Gobi desert. The associated infrastructure requirements for these projects have also served to strengthen the local economy. In addition, an

increase in other industries, particularly tourism and agriculture have helped to grow the economy. The positive impact of improving consumer and business confidence has led to a substantial increase in the gross production of the local economy.

Since 2015, the Mongolian economy witnessed a decrease in its growth rate, with this decline accelerating since then. This slow-down has been caused by reduced prices for commodities, political uncertainty, the arrest of certain foreign executives, a decrease in bank lending, along with doubt over the timing of the continuation of the Oyu Tolgoi underground development. These factors have led to a substantial decline in foreign direct investment (FDI) which has reduced the rate of growth of the economy.

Despite government statistics indicating overall economic growth, many sectors of the economy are under severe economic distress, with most business people believing that the economy has in fact been experiencing a dramatic contraction since sometime in 2014. Additionally, statistical indexes that are not affiliated with the Mongolian Government, such as the World Economics Sales Managers Index, indicate that the economy has likely been contracting since early 2014. This economic contraction has impacted the property sector where vacancies have increased while rental rates have declined dramatically—even before taking into account the decline in the currency. It is anticipated that certain austerity initiatives undertaken related to the recently announced IMF loan, will serve to further impair current economic conditions.

Management believes that the current economic slow-down is the result of policies that have discouraged Foreign Direct Investment (“FDI”). When the government takes the appropriate steps to stimulate FDI, it is expected that the economy can return to prior rates of economic growth. Management remains a believer in the long-term growth potential of Mongolia.

Property Overview

The general property market continues to be influenced by the overall Mongolian economy. With the accelerating decline in the Mongolian economy, there has been a noticeable increase in vacancy, particularly in office and residential space. In the downtown core, this has led to a substantial decline in pricing for both rental rates and sales for those two asset classes. High street retail has seen less of an increase in supply, and demand for space remains adequate although lease rates have continued their decline throughout 2016 and early 2017. While most data is anecdotal, office rental prices in the downtown core have declined between 50-80%, while retail lease rates have declined by approximately a third in Mongolian Tögrög terms over the past 12-18 months. These declines are further magnified by the decline in the currency against the Canadian Dollar. Recently, a number of prestigious office buildings have offered highly aggressive rates in order to fill vacancies, including elongated free rental periods or even offering rental rates that are below the levels needed to support property taxes and utilities. Based on those indicative rates, the Corporation would experience a substantial decline in rental rates for existing office assets and it is expected that the Corporation’s rental revenues will decline substantially in future periods. Additionally, there are a sizable number of office buildings and retail mini-malls that are expected to be completed before the end of 2017. These properties are expected to put substantial additional pressure on rental rates as they represent very sizable increases in supply at a time when demand continues to decline due to businesses downsizing or ceasing operations. The Corporation cautions investors that in future periods it may be forced to accept rental rates that do not cover basic operating costs such as utilities and property tax, even before considering additional allocated overhead management costs. In such a situation, it would be expected that AFFO losses would expand dramatically from current levels. Additionally, such lease rates may last for an elongated period of time and substantially deplete the Corporation’s liquidity.

Outside the downtown of Ulaanbaatar, a noticeable increase in building activity has saturated most markets and led to a more substantial decline in prices. In addition, there has been a recent increase in office and residential construction activity that will likely lead to future saturation in those markets. Finally, there has been a noticeable increase in the number distressed property owners, including banks that are experiencing a rapidly increasing number of bad debts and foreclosures. It is likely that these individuals will be forced to liquidate their property assets, potentially at prices that are substantially below current market prices. Recently, a number of banks that had been hesitant to sell properties at a loss have begun to market these prices at sizable discounts to the valuations on their balance sheets. Recent comments by the IMF have indicated that as part of the bail-out program, it intends to

ensure that local banks are adequately capitalized and regulated. This may force domestic banks to raise additional capital and/or sell assets to improve their liquidity and risk capital levels. Such sales would severely impact current property values. Management cautions shareholders that property prices have historically been, and will continue to be, volatile. It is expected that property prices will continue to decline for the foreseeable future.

Management expects a continued high demand for well-located street-level retail space, with a reduced demand level for office space. MGG continues to have below market rates of vacancy in all asset classes and believes that it is substantially outperforming the overall market in terms of occupancy, though it has often had to offer substantial discounts in order to fill spaces. For more information on leasing, visit <http://www.MGGProperties.com>.

The Corporation is focused on maintaining high levels of occupancy, even if it needs to continually lower rental rates.

MGG has seen a slight increase in bad debt and late payment of rent over the past year. Additionally, a large number of tenants are asking to have their rents reduced due to the economic crisis. MGG proactively evaluates tenants based on past rental history before changing the terms of rental contracts with a goal of keeping properties fully occupied at the cost of lowering rents. It is anticipated that many existing leases will be re-negotiated to substantially lower rates when they expire over the next few quarters.

It is expected that market rental rates will continue to decline, especially when converted back to Canadian dollars. Additionally, overall rental revenue is expected to decline as existing leases are re-signed at current market rates that are often substantially lower than the rates that existed when contracts were previously signed or existing tenants demand that the Corporation reduces rental rates.

Section 2 - Executing the Strategy

Core Business

During the past six years, Management and employees have worked hard to build up the infrastructure needed to manage MGG's institutional property platform. This platform is unique in Mongolia and is one of the only platforms capable of managing assets through the full cycle of ownership from acquisition and development, through disposition and includes dedicated departments that manage maintenance, leasing, marketing and tenant management. Management believes it has a strong team in place to lead the Corporation into its next phase.

Due to MGG's unique platform, the Corporation is adding third party leasing and property management to its focus, in order to leverage its existing resources. Management believes that it has excess capacity to handle these functions and has seen a sizable increase in interest in using its brokerage operation as awareness spreads in the Ulaanbaatar market. The Corporation intends to more actively target this brokerage opportunity now that its website is renewed and relaunched at www.MGGproperties.com.

Since inception, MGG has acquired a number of redevelopment properties. To date, the Corporation has also remodeled, rebuilt and completed additions on properties. During 2015, the Corporation spent substantial resources on redeveloping its Tuguldur retail center property; however these redevelopment efforts have been put on hold due to a slowing economy and uncertainty regarding the ability to lease added space due to the rapidly increasing vacancy level in the city. The Corporation did complete a 334 meter extension to Tuguldur during early 2016 and a lease was signed with a well-respected Mongolian tenant in early 2016. This tenant began to pay rent during the third quarter of 2016. Due to the project going over budget and the sizable decline in market rents from when the project began until a lease was signed, this development project did not hit internal return targets, further validating the Corporation's decision to cease all further development spending. As part of its cost savings initiative, the Corporation has eliminated its development department as it is expected that there will be no need for additional space in Ulaanbaatar for many years into the future. The Corporation is evaluating its development pipeline to assess if it should dispose of these assets as the Corporation will no longer have the internal resources to develop them and a monetization of these assets will increase the Corporation's liquidity. Additionally, it is unlikely that the city of Ulaanbaatar will need additional space for many years into the future.

Portfolio

Mongolia Growth Group's properties are located in the Downtown and the Central Business District of Ulaanbaatar.

Within the financial statements, MGG classifies properties in each of the following categories; Investment Properties, Property and Equipment, and Other Assets/Prepaid Deposits. Fluctuations in the values of the Corporation's property portfolio during the quarter can be attributed to changes in valuations, properties purchased and sold, and the change in value of the functional currency (Mongolian Tögrög) versus the Canadian dollar.

Investment Properties

Investment Properties include properties held to earn rental revenue, for capital appreciation, and/or for redevelopment. Investment Properties are initially valued at fair value, which is the purchase price plus any directly attributable expenditure eligible for capitalization. Investment Properties are subsequently valued at fair value, which reflects market conditions at the date of the statement of financial position.

The following table represents properties classified as Investment Properties, as of March 31, 2017:

	31-Mar-2017		31-Dec-2016	
	# of Properties	Value at 31-Mar-17 \$CDN	# of Properties	Value at 31-Dec-16 \$CDN
Residential	5	387,139	2	250,320
Office	3	2,995,592	3	2,976,642
Retail	21	15,118,986	22	16,505,234
Land and Redevelopment	3	9,831,344	3	9,769,154
Total	32	28,333,061	30	29,501,350

Overall, the investment portfolio performed substantially better than similar properties in Ulaanbaatar.

Property and Equipment

Properties are classified as Property and Equipment if the Corporation occupies more than 10% of the property. Properties classified as Property and Equipment are measured at cost less accumulated depreciation, less any accumulated impairment losses. All repairs and maintenance costs to these properties are charged to the consolidated statement of operations during the period in which they occur unless eligible for capitalization.

The following table represents properties classified as Property and Equipment, as of March 31, 2017:

	31-Mar-2017		31-Dec-2016	
	# of Properties	Value at 31-Mar-17 \$CDN	# of Properties	Value at 31-Dec -16 \$CDN
Residential	-	-	-	-
Office	1	1,706,809	1	1,672,645
Retail	-	-	-	-
Land and Redevelopment	-	-	-	-
Total	1	1,706,809	1	1,672,645

Other Assets/ Prepaid Deposits

Investment property purchases where the Corporation has paid either the full or partial purchase proceeds to the seller, but the Corporation has not yet received the official land or building title from a Mongolian property office, are recorded at the lower of cost or fair market value as Prepaid Deposits on Investment Properties and are classified within other assets.

The following table represents properties classified as Prepaid Deposits on Investment Properties, as of March 31, 2017:

	31-Mar-2017		31-Dec-2016	
	# of Properties	Value at 31-Mar-17 \$CDN	# of Properties	Value at 31-Dec-16 \$CDN
Residential	-	-	-	-
Office	-	-	-	-
Retail	-	-	-	-
Land and Redevelopment	1*	43,031	1*	42,759
Total	1	43,031	1	42,759

* These land assets are part of the land packages outlined in the Investment Properties section and are not standalone land packages.

Occupancy Rates

A summary of MGG's property portfolio occupancy rates is set forth in the following table:

	31-Mar-17	31-Dec-2016	31-Mar-16
	Occupancy Rate*	Occupancy Rate*	Occupancy Rate*
Office	83.9%	84.9%	80.9%
Retail	94.5%	95.1%	100.0%
Weighted Average**	88.6%	91.0%	91.6%

* Occupancy rates are calculated on a per meter basis;

** Weighted Average is calculated based on total meters available for lease

Demand for retail space has remained strong, despite a difficult economy. Occupancy levels for the Corporation's office space, excluding its headquarters building, which lost a major tenant during the previous year, have been good even while vacancy levels throughout the city have increased significantly as additional supply has entered the market. Management attributes its success due to increased marketing initiatives and realistic price expectations.

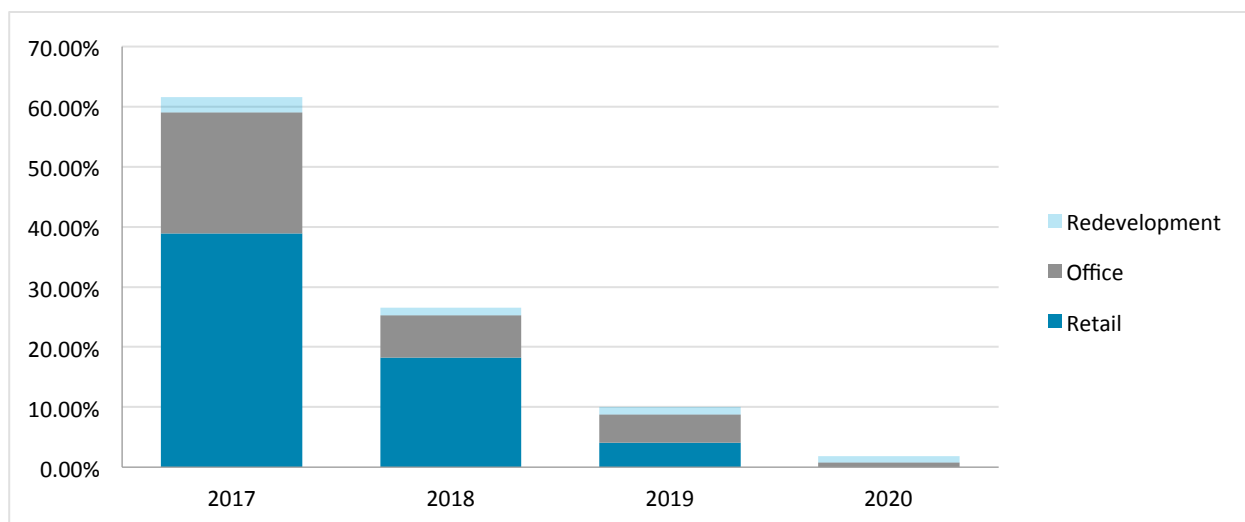
The Corporation would like to caution shareholders that it is experiencing abnormally high levels of tenant turnover and occupancy levels can fluctuate dramatically between months as tenants break leases. It is expected that turnover will increase as the economy continues to decline and it is uncertain if the Corporation will be able to continue to find new tenants due to the weak economy. Additionally, the Corporation often experiences added tenant improvement expenses when tenants break leases. During 2016, this expense was unusually elevated compared to prior years and may continue in 2017.

Leasing Schedule

In order to reduce the Corporation's exposure to currency fluctuations and inflation, the Corporation targets shorter lease durations with most tenants. Management's experience is that this practice is in line with the local industry standards with the expectation that when MGG leases expire, existing tenants are offered the second right to re-lease the space at then prevailing market rates.

During the second quarter of 2017, approximately 2,223 meters of leases, representing about \$22,000 in monthly rental revenue will expire.

A summary of the Corporation's lease expirations by asset class is presented in the chart below:



The weighted average remaining lease term increased slightly to 10.8 months at March 31, 2017, from 10.3 months at March 31, 2016, and 17.1 months at March 31, 2015 calculated as a percentage of monthly revenues. An increasing number of tenants are on month-to-month contracts as they evaluate if they can sustain their businesses, given the continued decline in economic activity. We anticipate that a number of these tenants will cease to be tenants in future months.

Most Recent Retail and Office Lease Signings

Lease Type	Lease Renewal Date	SqM	Old Price Per Meter (Mongolian Tögrög)	New Price Per Meter (Mongolian Tögrög)	Percent Increase in MINT (decrease)
Retail Lease	Jan-16	187	32,085	21,390	-33.3%
Office Lease	Jan-16	13	22,000	20,000	-9.0%
Office Lease	Jan-16	17	35,000	30,000	-14.2%
Office Lease	Feb-16	24	25,000	20,000	-20.0%
Office Lease	Feb-16	20	25,000	20,000	-20.0%
Office Lease	Feb-16	40	26,000	20,000	-23.1%
Office Lease	Feb-16	65	37,000	30,000	-18.9%

Publicly Traded Securities

Since September 2016, one of the Corporation's offshore subsidiaries has purchased a total of 20,000,000 shares of Mongolian Mining Corporation for investment purposes at an average cost of approximately 14.9 Hong Kong cents per share for a total cost of approximately \$510,000. During the quarter, the Corporation purchased 1,000,000 shares at an average price of 27.9 Hong Kong cents per share. During the quarter, the shares declined from 36.0 Hong Kong cents to 22.3 Hong Kong cents per share, leading to an unrealized loss of \$467,520 during the quarter.

The Corporation continues to evaluate various investment opportunities in globally traded public securities. The Corporation views investment activities in public securities to be complementary to its core property business and a potentially attractive use for excess property sale proceeds. The Corporation intends to increase the size of its securities portfolio over time.

Section 3 - Results of Operations

Selected Quarterly Financial Information (CAD)

	Quarter ended 31-Mar-2017 (\$)	Quarter ended 31-Mar-2016 (\$)	Quarter ended 31-Mar-2015 (\$)
Revenue and other income	401,078	490,160	577,752
Income			
Income/ (loss) from continuing operations attributable to equity holders of the Corporation	(643,186)	(275,372)	(372,991)
Net Income/ (loss) attributable to equity holders of the Corporation	(643,186)	(275,372)	(372,991)
Comprehensive income/ (loss) attributable to equity holders of the Corporation	(331,296)	(4,530,123)	1,711,276
Basic earnings per share ("EPS") (in CAD)			
Net income/ (loss)	(0.02)	(0.01)	(0.01)
Diluted EPS (in CAD)			
Net Income/ (loss)	(0.02)	(0.01)	(0.01)
Balance Sheet			
Total Assets	33,268,754	46,241,247	55,548,676
Total liabilities	1,133,718	1,652,513	2,737,690
Total Equity	32,135,036	44,588,734	52,810,986
Shares Outstanding at quarter end	34,524,099	35,512,829	34,848,745
Book Value per share	0.93	1.26	1.52

Rental Revenue from Investment Properties

Rental revenue from Investment Properties decreased from \$490,442 in the first quarter of 2016 to \$384,580 in the first quarter of 2017. The decrease during the quarter was primarily attributable to leases being renewed at lower rates as well as a decrease in the local currency versus the Canadian dollar during the last 12 months.

Revenue from Other Sources

Revenue from other sources consists of late fees and fees earned for third party leasing and property management. For the first quarter of 2017, revenues from other sources totaled \$16,498 compared to \$10,070 for the first quarter of 2016. The majority of this increase was due to an increase in third party revenue.

Gain/Loss on disposal of Investment Properties

During the quarter, the Corporation disposed of one property at its fair value of \$1,448,995. During the first quarter of 2016, the Corporation disposed of one property for a loss of \$10,352.

Fair Value Adjustment on Investment Properties

The estimate of fair value of investment properties is a critical accounting estimate to the Corporation. An external appraiser estimates the fair value of the majority of the Investment Properties annually, the remainder are appraised internally by Management. 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 Corporation operates in the emerging real estate market of Mongolia, which given its current economic and industry conditions, has an increased inherent risk given the lack of reliable and comparable market information. For the quarter ending March 31, 2017, the Company did not have a fair value adjustment to its investment portfolio. (Q1 2016 – nil).

Unrealized short-term investment gain

During the quarter, one of the Corporation's offshore subsidiaries purchased 1,000,000 shares of Mongolian Mining Corporation (Ticker Symbol 975: Hong Kong Stock Exchange) at an average price of approximately 27.9 Hong Kong cents per share. At the end of the quarter, the shares closed at 22.3 Hong Kong cents per share, leading to a pre-tax loss after currency adjustments of CDN \$467,520. The Corporation continues to evaluate potential additional investments in publicly traded securities.

Income Taxes

The Corporation has subsidiaries in Mongolia that are subject to income taxes and, accordingly, has provided for current and deferred income taxes with respect to those subsidiaries. The deferred tax income of \$27,145 for the three months ended March 31, 2017 (Q1 2016 - \$12,547 income), is due to a difference in the fair value of the properties Mongolia and depreciation claimed for income tax purposes. The deferred tax liability on the balance sheet decreased to \$23,147 at the end of the quarter (Q1 2016 - \$98,464). The foreign exchange impact of the deferred tax liability of \$3,998 (Q1 2016 - \$85,917) for the three months ended March 31, 2017, is recorded in other comprehensive loss.

Currency

The Mongolian Tögrög has fluctuated significantly over the past five years. The Mongolian Tögrög has depreciated 6.8%, 5.1%, 11.5% and 5.3% in 2011, 2012, 2013 and 2014 respectively versus the Canadian Dollar while appreciating 11.4% in 2015 and depreciating 28.5% in 2016. During the quarter, the Mongolian Tögrög appreciated versus the Canadian dollar from 1,848 MNT/CAD on December 31, 2016 to 1,836 MNT/CAD on March 31 2017; a 0.6% increase during the quarter as the currency showed signs of stabilizing. Depreciation of the Mongolian Tögrög tends to negatively impact the Corporation's financial performance including its AFFO as approximately half of the Corporation's expenses are in U.S. and Canadian Dollars while all of the Corporation's revenues are in Mongolian Tögrög. The fluctuation in the currency is reflected in the Corporation's financial statements, most notably in the investment property portfolio, as it is the largest item on the Balance Sheet. Note 5 in the Financial Statements discloses the foreign exchange adjustment, which flows through the investment property classification during each period. During the three month period, the Corporation recognized a foreign exchange adjustment gain of \$149,319 (March 31, 2016 loss of \$4,043,103) to its investment property portfolio.

Operating Profit/(Loss)

The Company generated an Adjusted EBITDA loss of \$172,501 during Q1 2017 compared to a loss of \$105,991 during Q1 2016. The larger loss was due to several one time expenses that took place during the quarter..

The following reconciles net income before income tax to Adjusted EBITDA from operations.

	Q1 2017	Q1 2016
	\$	\$
Net Income / (loss) before Income taxes	(646,248)	(279,399)
Add Depreciation and Amortization	6,576	17,593
Subtract Interest and Investment Income	(467,171)	3,903
EBITDA	(172,501)	(257,903)
Subtract Fair Value Adjustment	-	-
Add Share Based Payments	-	151,912
Total Adjusted EBITDA	(172,501)	(105,991)

Funds From Operations ("FFO")

While FFO does not have a standardized meaning prescribed by IFRS, it is a non-IFRS financial measure of operating performance widely used by the real estate industry. The Real Property Association of Canada (REALpac) recommends that FFO be determined by reconciling FFO from net income.

For the three months ended March 31 2017, FFO declined from a loss of \$119,237 in Q1 2016 to a loss of \$163,955 in Q1 2017. The increase is primarily due to several one time expenses.

Adjusted Funds From Operations ("AFFO")

Since FFO does not consider capital expenditures and other one-time expenses, AFFO is presented herein as an alternative measure of determining available cash flow. AFFO is not defined by IFRS but the Corporation follows recommendations by REALpac.

During the first quarters of 2016 and 2017, there were no development costs not capitalized nor any significant one-time expenses, therefore AFFO numbers were consistent with FFO numbers. It should be noted that FFO and AFFO may include certain one-time costs related to the Corporation's cost cutting plan that were not sufficiently large enough to be broken out, but their exclusion would have further reduced the Corporation's AFFO loss for the quarter.

Reconciliation of FFO and AFFO

The analysis below shows a reconciliation of the Corporation's net income to FFO and AFFO for the quarters ended March 31, 2017 and March 31, 2016;

	Quarter ended 31-March 2017 (\$)	Quarter ended 31-March 2016 (\$)
Net income/ (loss) for the period	(643,186)	(275,372)
<i>Add (deduct) items not affecting case</i>		
Unrealized change in fair value of investment properties	-	-
Unrealized change in short-term investments	467,520	-
Depreciation and amortization of Investment properties	6,576	1,530
Gains/losses from sales of investment properties	-	10,352
Tax on gains or losses of sales on investment property	32,280	4,888
Deferred Taxes*	(27,145)	(12,547)
Share based payments	-	151,912
FFO	(163,955)	(119,237)
<i>Add (deduct)</i>		
Development costs not capitalized	-	-
Significant one-time expenses	106,576	-
AFFO	(57,379)	(119,237)
<i>Per Unit – basic</i>		
FFO	(0.00)	(0.00)
AFFO	(0.00)	(0.00)
<i>Per Unit – diluted</i>		
FFO	(0.00)	(0.00)
AFFO	(0.00)	(0.00)

*As of Q3 2016, the Company changed its policy on the calculation of deferred taxes in the calculation of FFO and AFFO. The Company now calculates the change in deferred taxes by adding back the effects of foreign exchange moments to change in deferred tax on the balance sheet. As such, the Q1 2016 deferred tax number above does not match the number reported in the Q1 2016 MD&A (-\$13,022). For further information on the calculation of deferred tax, please see the income tax note on page 18 of the MD&A.

Net Income

For the quarter ending March 31, 2017, the Corporation incurred a net loss of \$643,186 compared to a net loss of \$275,372 for the quarter ending March 31, 2016. The significant decrease is due to a significant unrealized short-term investment loss incurred during the quarter whereas the Corporation did not incur this investment loss during the first quarter of 2016.

Management cautions investors that the Corporation is primarily focused on increasing shareholder value on a per share basis. This means that operationally, management is more concerned with long-term asset appreciation at the expense of short-term cash flow. Management expects this to be the case for the foreseeable future.

Section 4 - Financial Condition

Cash Flow

Mongolia Growth Group's primary sources of capital are cash generated from equity issuance, financing and asset sales. Management expects to meet all of the Corporation's obligations through current cash and cash equivalents along with cash flows from asset sales.

The following table provides an overview of the Corporation's cash flows from operating, financing and investing activities for the three month period ended March 31, 2017 and March 31, 2016.

Net change in cash related to:	March 31, 2017 (\$)	March 31, 2016 (\$)
Operating	(1,024,849)	(146,386)
Investing	1,270,431	160,732
Financing	(66,108)	(7,400)
Effects of exchange rates on cash	143,146	(74,654)
Net change in cash during the period	322,620	(67,708)

Overall, the Corporation experienced an improvement in cash inflows during the first three months of 2017 primarily due to the disposal of one investment property. The changes in components of cash flows for the period ended March 31, 2017 compared to the period ended March 31, 2016 were the result of the following factors:

- **Operating** – Operating cash outflows during the three month period increased significantly mainly due to a negative change in non-cash working capital.
- **Investing** – Investing cash inflows increased during the three month period due to sale of an investment property
- **Financing** – Financing cash outflows occurred due to the repurchase of 196,000 shares during the three month period. The Corporation repurchased 18,500 shares during the same period in 2016.

As at March 31, 2017, the Corporation had \$2,204,107 in cash and cash equivalents. Due to the expectation that AFFO will worsen in future quarters, the Corporation is focused on increasing liquidity and cash reserves in Canada through asset sales.

Total Assets

As of March 31, 2017, the Corporation had \$3,124,187 in Current Assets of which approximately 71% were held in cash and cash equivalents (Q4 2016 –\$3,204,065 and 59%). The increase in cash percentage is due to the Management's desire to increase the Corporation's liquidity during these challenging economic times.

The majority of the Corporation's assets are classified as Non-Current Assets, mainly Investment Properties. Investment Properties are carried at Fair Market Value and decreased throughout the quarter as a result of the depreciation of the local currency.

In the first quarter of 2017, assets classified as Investment Properties decreased from \$29,501,350 to \$28,333,061 as at December 31, 2016, primarily due to the disposal of one investment property. Property and Equipment increased slightly to \$1,811,506 (December 31, 2016 - \$1,805,861) due to an increase in the local currency.

Total Financial Liabilities

As of March 31, 2017, the Corporation had current liabilities of \$532,530 (December 31, 2016 – \$1,354,501) consisting primarily of payables and accrued liabilities.

As of March 31, 2017, the Corporation had no long-term debt outstanding; as such the only non-current liability on the balance sheet was deferred income taxes. Deferred tax liabilities decreased during the period to \$601,188 in Q1 2017 (Q4 2016 - \$624,335) due to the decrease in value of the Corporation's property portfolio.

The Corporation considers all other current cash commitments to be immaterial and operational in nature.

Total Equity

The equity of the Corporation consists of one class of common shares.

Outstanding	31-Mar-17	31-Dec-16
Common shares	34,524,099	34,806,599
Options to buy common shares	3,323,000	3,358,000

Options Outstanding

At period-end, the Corporation had 3,323,000 options that were exercisable (December 31, 2016 – 3,358,000).

The Chart below shows the historical option grants and options outstanding as of March 31, 2017.

Option Price	Granted	Expired	Forfeited	Cancelled	Exercised	Total Options Outstanding	Total Exercisable	Non exercisable
1.64	100,000	-	-	-	100,000	-	-	-
1.75	300,000	50,000	-	-	250,000	-	-	-
1.9	1,363,000	35,000	85,000	-	200,000	1,043,000	1,043,000	-
4.2	900,000	205,000	408,000	287,000	-	-	-	-
4.77	175,000	20,000	100,000	55,000	-	-	-	-
4.25	150,000	5,000	50,000	95,000	-	-	-	-
4.0	190,000	-	-	190,000	-	-	-	-
4.13	475,000	125,000	75,000	275,000	-	-	-	-
1.09	375,000	-	-	-	-	375,000	375,000	-
0.72	935,000	-	20,000	-	-	915,000	915,000	-
0.74	640,000	-	-	-	-	640,000	640,000	-
0.38	350,000	-	-	-	-	350,000	350,000	-
Total	5,953,000	440,000	738,000	902,000	550,000	3,323,000	3,323,000	-

Acquisitions and Dispositions

During the three months of 2017, the Corporation acquired three investment properties for \$131,387 through an exchange during the sale of one property. In comparison, the Corporation had capital expenditures of \$22,617 during the Q1 2016, which was spent to further develop one of its redevelopment assets.

During the first three months of 2017, one investment property was sold for cash and properties for total consideration of \$1,448,995. In exchange for this property, the Company received \$1,317,608 in cash and properties worth \$131,387 as per the acquisitions noted above. In comparison, during the three months of 2016, one investment property was sold for cash consideration of \$239,955.

Off-Balance Sheet Items

As of March 31, 2017 the Corporation had no off-balance sheet items.

Events Subsequent to Quarter End

On May 15, 2017, the Corporation announced that its board of directors had adopted a shareholder rights plan pursuant to a rights agreement between the Corporation and Computershare Trust Company of Canada, dated May 5, 2017. The Corporation also announced that it has amended its General By-Law to, among other things, include advance notice provisions for the election of directors at meetings.

Subsequent to year end, the Corporation disposed of one property for \$102,112 with a book value at year end of \$101,551 for an estimated gain of \$561.

The Corporation has purchased 17,500 shares at a price of \$0.40/share.

Section 5 - Quarterly Information

Quarterly Results

The following table is a summary of select quarterly information over the previous eight quarters:

	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015
Revenue	401,078	348,301	433,302	338,203	490,160	526,949	340,871	501,936
Net income (loss)	(643,186)	196,138	434,059	(6,017,609)	(275,372)	(5,503,493)	(2,701,490)	(1,352,996)
Income (loss) per common share	(0.02)	0.00	0.01	(0.17)	(0.01)	(0.16)	(0.08)	(0.04)
Total Assets	33,268,754	34,511,276	36,767,186	41,480,240	46,241,247	50,815,170	54,495,461	54,790,433
Weighted Average Shares (No.)	34,633,899	35,297,108	35,430,404	35,444,217	35,512,829	35,315,357	35,248,810	35,114,612
Ending Shares (No.)	34,524,099	34,806,599	35,372,099	35,397,599	35,512,829	35,512,829	35,512,829	35,512,829

Section 6 – Critical Estimates

Critical Accounting Estimates

The preparation of financial statements in accordance with IFRS required Management to make assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments 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 critical estimates made in the preparation of the consolidated financial statements include the following:

Fair Value Adjustment on Investment Properties

The estimate of fair value of investment properties is the most critical accounting estimate to the Corporation. An external appraiser estimates the fair value of the majority of the Investment Properties annually, the remainder are appraised internally by Management. 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 Corporation operates in the emerging real estate market of Mongolia, which given its current economic and industry conditions, has an increased inherent risk given the lack of reliable and comparable market information. For the three month period ending March 31, 2017, the Corporation did not have a fair value adjustment on its investment properties (Q1 2016 – nil).

Accuracy of Share Based Compensation Expense

The estimate of the 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 Corporation. The 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 options and future forfeiture rates. For the quarter ending March 31, 2017, the cost of the share based payments were nil (Q1 2016 - \$151,912).

Operating Environment of the Corporation

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 continuing demand from China and increasing 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 Corporation.

During 2016, the Corporation had difficulty in converting Mongolian Tögrög to U.S. Dollars at large Mongolian banks. There can be no certainty regarding the ability to convert or wire money from Mongolia in the future.

Mongolia recently signed an agreement with the IMF. There is no certainty regarding the demands that the IMF may make upon Mongolia for austerity or the impacts that this may have on the economy of Mongolia.

Due to the economic crisis, businesses are increasingly paying for transactions using various forms of barter such as used equipment, apartments, vehicles, future services and livestock. To date, the Corporation has only agreed to receive barter items in extreme circumstances and has a strong preference to avoid using barter in transactions. As the economic crisis worsens, barter transactions may become a more substantial percentage of overall economic transactions. As a result, the Corporation may be forced to receive barter items at a higher frequency. These barter items are often difficult to value and monetize and may cause other difficulties for the Corporation that are impossible to predict.

Assets and Liabilities Held for Sale

The Corporation makes judgments in determining whether certain non-current assets or group of assets and liabilities meet the specified criteria under IFRS for classification as held for sale. At March 31, 2017, the Corporation has identified six investment properties which meet the specified criteria and has accounted for them as assets held for sale.

Deferred Tax Assets

Deferred tax assets are recognized to the extent that it is probable that deductible temporary differences will reverse in the foreseeable future and there will be sufficient future taxable profits against which the deductible temporary differences can be utilized. The Corporation reviews the carrying amount of deferred tax assets at the end of each reporting period which is reduced to the extent that it is no longer probable that deferred tax assets recognized will be recovered, or increased to the extent that sufficient future taxable profit will be available to allow all or part of a previously unrecognized deferred tax asset to be recovered. Estimates of future taxable income are based on forecasted cash flows from operations, available tax planning opportunities and expected timing of reversals of taxable temporary differences.

Section 7 – Risk Management

Credit risk

The Corporation's exposure to credit risk is managed through risk management policies and procedures with emphasis on the quality of the investment portfolio. For the quarter, most of the Corporation's investments consisted of institutional deposits. The majority of the funds invested are held in reputable Canadian or Mongolian banks. Recently, there have been rumors that various commercial banks in Mongolia could fail. Additionally, it has been rumored that the Mongolian Central Bank is out of U.S. Dollars and not honoring swap agreements with local Mongolian commercial banks. There is no way to tell if these rumors are accurate however, starting in early July, the Corporation has had difficulty in converting Mongolian Tögrög into U.S. Dollars. If banks are unwilling or unable to give the Corporation access to its U.S. Dollar deposits, the Corporation could experience severe liquidity issues.

The Corporation is exposed to credit risk as an owner of real estate in which tenants may become unable to pay contracted rents. The Corporation mitigates this risk by carrying out due diligence on significant tenants. The Corporation's properties are diversified primarily across commercial classes. Historically, bad debts have not been a substantial expense for the Corporation. Recently, the Corporation has experienced an increase in late rental payments. The Corporation believes that it will collect all of this debt, but there is no certainty that this will occur.

Liquidity risk

The Corporation does not believe its current maturity profile lends itself to any material liquidity risk, taking into account the level of cash and cash equivalents, investments and marketable securities and long-term debt as at March 31, 2017.

As at March 31, 2017, MGG had working capital of \$2,591,657 (March 31, 2016- \$572,220) comprised of cash and cash equivalents, investments and marketable securities, other assets, net of trade and accrued liabilities, income taxes payable and long term debt (current portion).

Under certain market conditions, such as during volatile markets or when trading in a security or market is otherwise impaired, the liquidity of the Corporation's portfolio positions may be reduced. In addition, the Corporation may from time to time hold large positions with respect to a specific type of financial instrument, which may reduce the Corporation's liquidity. During such times, the Corporation may be unable to dispose of certain financial instruments, including longer-term financial instruments, which would adversely affect its ability to rebalance its portfolio. In addition, such circumstances may force the Corporation to dispose of financial instruments at reduced prices, thereby adversely affecting its performance. If there are other market participants seeking to dispose of similar financial instruments at the same time, the Corporation may be unable to sell such financial instruments or prevent losses relating to such financial instruments. Furthermore, if the Corporation incurs substantial trading losses, the need for liquidity could rise sharply while its access to liquidity could be impaired. In addition, in conjunction with a market downturn, the Corporation's counterparties could incur losses of their own, thereby weakening their financial condition and increasing the Corporation's exposure to their credit risk.

Market risk

Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate due to changes in market prices. The value of the financial instruments can be affected by changes in interest rates, foreign exchange rates, and equity and commodity prices. The Company is exposed to market risk in trading its investments and unfavorable market conditions could result in dispositions of investments at less than favorable prices.

Currency risk

The Corporation owns properties located in Mongolia and collects rental revenue in Mongolian Tögrög, and is therefore subject to foreign currency fluctuations that may impact its financial position and results. Changes in the Mongolian Tögrög, U.S. dollar and Canadian dollar foreign currency exchange rates impact the fair value of securities denominated in Mongolian Tögrög and in U.S. dollars. All of the Corporation's revenues are received in Mongolian Tögrög while approximately half of the Corporation's expenses are incurred in U.S. and Canadian Dollars.

Therefore, a depreciation in the Mongolian Tögrög against the U.S. and Canadian Dollar will reduce AFFO. The exchange rate continues to be volatile and there is an expectation that the rate of currency depreciation could increase.

Economic Volatility and Uncertainty

Over the past few years, economic volatility and uncertainty around the world has contributed to dramatically restricted access to capital and reduced capital markets activity for more speculative businesses. The Corporation's management believes that the Corporation has sufficient resources to carry on its business and remain a going concern.

MGG holds the majority of its assets, investments and operations in the nation of Mongolia. Mongolia is presently experiencing drastic changes in its economy. Economic volatility and uncertainty in Mongolia could result in inflation, hyperinflation, economic stagnation, political extremism, and other similarly detrimental scenarios which could materially harm the Corporation.

Coinciding with the slowdown in the economy, inflation has dropped significantly since the start of 2015 from 9.3% year over year in January 2015 to 2.5% year over year in March 2017 according to the National Statistics Office.

Recently, Mongolia reached an initial agreement with the International Monetary Fund for a three-year program that includes a \$440 million loan package as part of a \$5.5 billion bailout. However, there is no certainty that this bailout will be finalized or the effect that such a bailout could have on the economy.

Depending on the requirements of MGG's businesses, additional funds may be required to be raised in the capital markets and there is no guarantee that sufficient funds raised will be available to complete a financing required to augment the Corporation's operations.

Risks and Uncertainties

The Corporation, as part of its operations, carries financial instruments consisting of cash and cash equivalents, investments and marketable securities, accounts receivable, and trade payables and accrued liabilities. It is Management's opinion that the Corporation is not exposed to significant credit, interest or currency risks arising from these financial instruments except as otherwise disclosed in the notes to the Consolidated Financial Statements.

Further information related to Mongolia Growth Group Ltd. and the risks and uncertainties of MGG are filed on the System for Electronic Document Analysis and Retrieval ("SEDAR") and can be reviewed at comprehensive set of risk disclosures are included in the Corporation's most recently filed annual MD&A.

Financial Instruments

The Corporation's financial instruments consist of cash and cash equivalents, investments and marketable securities, accounts receivable, trade and accrued payables and long term debt. The Corporation is subject to interest risk as it earns interest income from its cash deposits. It is Management's opinion that the Corporation is not exposed to significant credit risks arising from these financial instruments and that the fair value of these financial instruments approximates their carrying values. Management believes that there are material currency risks associated with certain Financial Instruments of the Corporation as they are held in Mongolian Tögrög. For further discussion of financial instrument risks, see the Insurance and Financial Risk Management note.

Unless the context otherwise requires, references to the "Corporation" include the Corporation and its subsidiaries and affiliates collectively, including Mongolia Barbados Corp.

Changes in Investment Strategies

The Corporation may alter its investment strategies and restrictions without prior approval by shareholders to adapt to changing circumstances.

Possible Negative Impact of Regulation

The regulatory environment is evolving and changes to it may adversely affect the Corporation. To the extent that regulators adopt practices of regulatory oversight that create additional compliance, transaction, disclosure or other costs for the Corporation, returns of the Corporation may be negatively affected. In addition, the regulatory or tax environment for securities, derivatives and related instruments is evolving and may be subject to modification by government or judicial action that may adversely affect the value of the investments held by the Corporation. The effect of any future regulatory or tax change on the Corporation is impossible to predict.

Use of Derivatives

The Corporation may use derivative instruments. The use of derivatives in general presents additional risks to those applicable to trading only in the underlying assets. To the extent of the Corporation's investment in derivatives it may take a credit risk with respect to parties with whom it trades and may also bear the risk of settlement default. When used for hedging purposes, an imperfect or variable degree of correlation between price movements of the derivative instrument and the underlying investment sought to be hedged may prevent the Corporation from achieving the intended hedge effect or expose the Corporation to the risk of loss. In addition, derivative instruments may not be liquid at all times, so that in volatile markets the Corporation may not be able to close out a position without incurring a loss. No assurance can be given that short sales, hedging, leverage and other techniques and strategies utilized by the Corporation to hedge its exposure will not result in material losses.

Custody Risk and Broker or Dealer Insolvency

The Corporation does not control the custodianship of all of its assets. The Corporation's assets will be held in one or more accounts maintained for the Corporation by its broker or brokers. Such brokers are subject to various laws and regulations in various jurisdictions that are designed to protect their customers in the event of their insolvency. However, the practical effect of these laws and their application to the Corporation's assets are subject to substantial limitations and uncertainties. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a broker or any sub-custodians, agents or affiliates, it is impossible to generalize about the effect of their insolvency on the Corporation and its assets. Investors should assume that the insolvency of any of the brokers or such other service providers would result in the loss of all or a substantial portion of the Corporation's assets held by or through such brokers and/or the delay in the payment of withdrawal proceeds.

Investment and Trading Risks in General

All trades made by the Corporation risk the loss of capital. The Corporation may utilize trading techniques or instruments, which can, in certain circumstances, maximize the adverse impact to which a client's account may be subject. No guarantee or representation is made that the Corporation's investment program will be successful, and investment results may vary substantially over time. Many unforeseeable events, including actions by various government agencies, and domestic and international economic and political developments may cause sharp market fluctuations which could adversely affect the Corporation's portfolio and performance.

General Economic and Market Conditions

The success of the Corporation's activities may be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, and national and international political circumstances. These factors may affect the level and volatility of securities prices and the liquidity of the Corporation's investments. Unexpected volatility or illiquidity could impair the Corporation's profitability or result in losses.

Issuer-Specific Changes

The value of an individual security or particular type of security can be more volatile than, and can perform differently from the market as a whole.

Portfolio Turnover

The Corporation has not placed any limits on the rate of portfolio turnover and portfolio securities may be sold without regard to the time they have been held when, in the opinion of the Corporation, investment considerations warrant such action. A high rate of portfolio turnover involves correspondingly greater expenses than a lower rate.

Liquidity of Underlying Investment

Some of the securities in which the Corporation may invest may be thinly traded. There are no restrictions on the investment of the Corporation in illiquid securities. It is possible that the Corporation may not be able to sell or repurchase significant portions of such positions without facing substantially adverse prices. If the Corporation is required to transact in such securities before its intended investment horizon, the performance of the Corporation, could suffer.

Highly Volatile Markets

The prices of financial instruments in which the Corporation's assets may be invested can be highly volatile and may be influenced by, among other things, specific corporate developments, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. The Corporation is subject to the risk of the failure of any of the exchanges on which the Corporation's positions trade or of their clearinghouses.

Emerging Markets

The Corporation may invest in the securities of companies which operate in some emerging markets. Operating in emerging markets involves additional risks because companies in emerging markets may be less regulated and not subject to the same standards, reporting practices and disclosure requirements that apply in more developed markets. In addition, some emerging markets and legal systems may not adequately protect investor rights.

Small- to Medium- Capitalization Companies

The Corporation may invest a portion of its assets in the securities of companies with small- to medium-sized market capitalizations. While the Corporation believes these investments often provide significant potential for appreciation, those securities may involve higher risks in some respects than do investments in securities of larger companies. For example, while smaller companies generally have potential for rapid growth, they often involve higher risks because they may lack the management experience, financial resources, product diversification, and competitive strength of larger companies. In addition, in many instances, the frequency and volume of their trading may be substantially less than is typical of larger companies. As a result, the securities of smaller companies may be subject to wider price fluctuations. When making large sales, the Corporation may have to sell portfolio holdings at discounts from quoted prices or may have to make a series of small sales over an extended period of time due to the trading volume of smaller company securities.

Fixed Income Securities

The Corporation may occasionally invest in bonds or other fixed income securities of issuers, including, without limitation, bonds, notes and debentures issued by corporations. Fixed income securities pay fixed, variable or floating rates of interest. The value of fixed income securities in which the Corporation invests will change in response to fluctuations in interest rates. In addition, the value of certain fixed-income securities can fluctuate in response to perceptions of credit worthiness, political stability or soundness of economic policies. Fixed income securities are subject to the risk of the issuer's inability to meet principal and interest payments on its obligations (i.e., credit risk) and are subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (i.e., market risk). If fixed income investments are not held to maturity, the Corporation may suffer a loss at the time of sale of such securities.

Equity Securities

To the extent that the Corporation holds equity portfolio investments, or short positions in equities, it will be influenced by stock market conditions in those jurisdictions where the securities held by the Corporation, are listed for trading and by changes in the circumstances of the issuers whose securities are held by the Corporation.

Options

Selling call and put options is a highly specialized activity and entails greater than ordinary investment risk. The risk of loss when purchasing an option is limited to the amount of the purchase price of the option, however investment in an option may be subject to greater fluctuation than an investment in the underlying security. In the case of the sale of an uncovered option there can be potential for an unlimited loss. To some extent this risk may be hedged by the purchase or sale of the underlying security.

Shorting

Selling a security short (“shorting”) involves borrowing a security from an existing holder and selling the security in the market with a promise to return it at a later date. Should the security increase in value during the shorting period, losses will incur to the Corporation. There is in theory no upper limit to how high the price of a security may go. Another risk involved in shorting is the loss of a borrow, a situation where the lender of the security requests its return. In cases like this, the Corporation, must either find securities to replace those borrowed or step into the market and repurchase the securities. Depending on the liquidity of the security shorted, if there are insufficient securities available at current market prices, the Corporation, may have to bid up the price of the security in order to cover the short position, resulting in losses to the Corporation.

Trading Costs

The Corporation may engage in a high rate of trading activity resulting in correspondingly high costs being borne by the Corporation.

Currency and Exchange Rate Risks

The Corporation’s assets will be denominated in multiple currencies. The Corporation will report its results in Canadian dollars. The Corporation expects to report allocations of profit and loss for income tax purposes in Canadian dollars. Changes in currency exchange rates may affect the value of the Corporation’s portfolio and the unrealized appreciation or depreciation of investments.

Leverage

The Corporation may use financial leverage by borrowing funds against the assets of the Corporation. Leverage increases both the possibilities for profit and the risk of loss for the Corporation. From time to time, the credit markets are subject to periods in which there is a severe contraction of both liquidity and available leverage. The combination of these two factors can result in leveraged strategies being required to sell positions typically at highly disadvantageous prices in order to meet margin requirements, contributing to a general decline in a wide range of different securities. Illiquidity can be particularly damaging to leveraged strategies because of the essentially discretionary ability of dealers to raise margin requirements, requiring leveraged strategy to attempt to sell positions to comply with such requirements at a time when there are effectively no buyers in the market at all or at any but highly distressed prices. These market conditions have in the past resulted in major losses. Such conditions, although unpredictable, can be expected to recur.

Internal Controls over Financial Reporting

Changes in securities laws no longer require the Chief Executive Officer and Chief Financial Officer of junior reporting issuers to certify that they have designed internal control over financial reporting, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards.

Instead, an optional form of certification has been made available to junior reporting issuers and has been used by the Corporation’s certifying officers for the September 30, 2016 interim filings. The new certification reflects what the Corporation considers to be a more appropriate level of CEO and CFO certification given the size and nature of the Corporation’s operations. This certification requires the certifying officers to state that:

- (i) they have reviewed the interim MD&A and consolidated financial statements;
- (ii) they have determined that there is no untrue statement of a material fact, or any omission of material fact required to be stated which would make a statement or its omission misleading in light of the

- circumstances under which it was made within the interim MD&A and consolidated financial statements;
- (iii) based on their knowledge, the interim filings, together with the other financial information included in the interim filings, fairly present in all material respects the financial condition, results of operations and cash flows of the Corporation as of the date and for the periods presented in the filings.

Recent Accounting Pronouncements

IFRS9, *Financial Instruments* (“IFRS9”), On July 24, 2014, the IASB issued IFRS 9, “*Financial Instruments*” (“IFRS 9”) to replace International Accounting Standard 39, “*Financial Instruments: Recognition and Measurement*”. IFRS 9 is effective for years beginning on or after January 1, 2018. Early adoption is permitted if IFRS 9 is adopted in its entirety at the beginning of a fiscal period. The Corporation is currently evaluating the impact of adopting IFRS 9 on the Consolidated Financial Statements.

The Corporation is currently evaluating the impact of IFRS 9 on its condensed consolidated interim financial statements.

In May 2014, the IASB issued IFRS 15, “*Revenue from Contracts with Customers*” (“IFRS 15”), a new standard that specifies the steps and timing for entities to recognize revenue as well as requiring them to provide more informative, relevant disclosures, IFRS 15 supersedes IAS 11, *Construction Contracts*, and IAS 18, *Revenue*, as well as various IFRIC and SIC interpretations regarding revenue. Adoption of IFRS 15 is mandatory and will be effective for the Corporation's beginning on September 1, 2017, with earlier adoption permitted. The Corporation is assessing the impact of adopting this standard on its financial statements.

Additional Information

Additional information relating to Mongolia Growth Group Ltd., including its interim financial statements, is available on SEDAR at www.sedar.com.