

MONGOLIA GROWTH GROUP LTD.

Management Discussion & Analysis

September 30, 2014



Contents

Message to Shareholders.....	4
Section 1 – Overview	7
Financial and Operational Overview.....	7
Economic Overview	8
Property Overview	9
Outlook	9
Section 2 - Executing the Strategy	11
Core Business	11
Portfolio	11
Occupancy Rates.....	13
Leasing Schedule.....	13
Section 3 - Results of Operations.....	15
Selected Quarterly Financial Information (CAD).....	15
Rental Revenue from Investment Properties	16
Revenue from Other Sources.....	16
Fair Value Adjustment on Investment Properties	16
Corporate and Business Development	16
Property Management Expense.....	17
Currency.....	17
Operating Profit/ (Loss) from Continuing Operations	17
Net Income.....	18
Section 4 - Financial Condition.....	19
Cash Flow	19
Total Assets.....	19
Total Financial Liabilities	20
Options Outstanding.....	21
Acquisitions and Dispositions	21
Off-Balance Sheet Items	21
Events Subsequent to Quarter End.....	21
Section 5 - Quarterly Information.....	22
Quarterly Results	22

Fair Value Adjustment on Investment Properties	23
Section 7 – Risk Management.....	25

Message to Shareholders

All numbers stated in the following MD&A are presented in Canadian dollar terms unless stated otherwise.

Dear Shareholders,

We have outlined below the key revenue generation and value-creation parts of our business and described the progress during the quarter for each.

The Real Estate Investment Portfolio

Rental revenue during the third quarter declined by 8.9% reflecting the sale of several properties and the renovation of two of the Corporation's larger assets. This was a conscious initiative, in order to recycle our capital into more lucrative real estate developments downtown, which command more premium rental lease rates.

It should be pointed out that the Corporation ended the quarter with an average high street lease rate of 25,000 Mongolian Tögrög per meter, per month. Current high street lease rates range between 14,000 and 47,000 Mongolian Tögrög per meter, per month, which should give the Corporation comfortable headroom as we continue to re-sign leases at market rates.

Real Estate Developments

During the second quarter, we completed the conversion and renovation of one of our office buildings into a high quality medical facility, with a well-respected medical tenant occupying the majority of the building. This tenant began paying full rent in August, which has led to a significant increase in rent over the prior scenario where the building was only partially occupied as an office building. As of August, the building was fully occupied.

Beginning in February of 2014, through two separate transactions, we purchased an additional development asset on Peace Avenue, from a highly distressed seller, along with an adjacent development site for a total of \$5.9 million in cash and the swapping of three underperforming assets along with one of our development assets. We believe that we purchased this premium development asset at a significant discount to current market values and are currently evaluating options to substantially increase the yield on this asset, on an interim basis as we look to ultimately redevelop this location into one of the highest quality retail assets in Ulaanbaatar. These transactions were funded with available cash on hand, along with a US\$3 million borrowing from Xac Bank of Mongolia.

Earlier this year, we proceeded with the acquisition of various buildings and lots of land that would eventually comprise the overall area for the proposed Tuguldur Center. Since we anticipate that Tuguldur Center would be an extensive development, we decided not to attempt all of the permanent long term development after the acquisition, given the comprehensive costs and timeline of a multi-year mega project. Therefore, for the first five years we will have an interim development, which will be staged at low-cost for each stage, but high-yielding. For the interim stage 1, we have already planned, designed and construction is well underway and will be complete in November 2014. Pre-leasing is showing very strong demand and pre-commitments for the redeveloped property.

For this interim development, MGG would provide all funding and own 100% of this property, while controlling all development / management functions from start to finish. In parallel, over the coming years, we will carefully plan the long term development in the center of downtown Ulaanbaatar, Mongolia, while also seeking a suitable joint venture partner. We envision a partner that would provide project financing for MGG's long term vision, which would encompass using our entire land package at this site to build a trophy mixed-use high rise development to compliment the Ulaanbaatar skyline.

Following this transaction, we have two development sites on Peace Avenue, totaling 7,366 meters. We anticipate that these will form the nucleus of our future development plans as we transition into an owner of institutional quality property assets. In conjunction with this plan and in addition to the three assets swapped as explained above, we have disposed or swapped a total of 12 assets for proceeds of \$1.5 million in the first half of the year. We intend to continue this disposal plan and have targeted eight additional assets to dispose of. Following the completion of this plan, we will have a much more streamlined business, focused on owning institutional property assets in the Peace Avenue corridor of downtown Ulaanbaatar.

As for liquidity, we ended the quarter with \$3.4 million in cash. We anticipate that targeted non-core asset sales along with cash proceeds from of our loan to UMC Capital Group give us sufficient liquidity to complete the renovations of the recently acquired property on Peace Avenue along with future development work on that site.

In addition to the Tuguldur Center Development, we have been working on our second trophy location referred to as the Peace Tower site and concluding all the property titles and land titles, which are now complete. These land lots are along Ulaanbaatar's busiest through-street (East-West), Peace Avenue, which is next for us to consider. Over time, our intent is to source a potential Joint Venture Partner, with access to suitable capital.

In summary, this quarter our focus has been to continue selling our non-core investment portfolio properties, such as residential and only keeping commercial property in downtown. Our other area of focus has been to initiate our major real estate developments in downtown.

Sincerely,

Paul J. Byrne
Chief Executive Officer

MONGOLIA GROWTH GROUP LTD.

Management Discussion & Analysis

September 30, 2014

The management of Mongolia Growth Group Ltd. (“MGG” or “the Corporation”) presents the Corporation’s management discussion and analysis for the three months ended September 30, 2014 (the “MD&A”), compared with the three months ended September 30, 2013. 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 November 25, 2014 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 September 30, 2014 and September 30, 2013 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, 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.

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 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 third quarter, the Corporation renewed several leases at higher rates. Increased renewal rates were somewhat offset by a decline in the Mongolian Tögrög, which resulted in the Corporation's rental revenue increasing 3% over the previous year's third quarter. The Corporation's occupancy rates continue to improve with high and secondary street retail space being almost fully occupied during the majority of the quarter including full high street retail occupancy and secondary street retail occupancy on properties available for rent at September 30, 2014.

The Corporation did not record an unrealized fair value adjustment gain during the quarter (Q3 2013 - \$nil). In the year to date, the Corporation has recognized an unrealized fair value adjustment gain during of \$7,936,746 (Q3 2013 - \$1,136,125). Most of the gain was recorded during the second quarter when the Corporation obtained the full land title for one of its redevelopment assets previously held at cost. This holding comprises of 52 separate property titles.

During the quarter the Corporation had net losses before tax from Continuing Operations of \$1,489,119. During the third quarter of 2013 the Corporation incurred a net loss of \$869,539 (restated) from Continuing Operations. This increased loss is due primarily the discount of \$402,339 given to UMC in exchange for early repayment of a debt.

The Corporation continues to dispose of non-core and underperforming assets to streamline its portfolio. It is anticipated that proceeds from sales will be reinvested in higher quality institutional assets with better net-yield profiles. During the quarter, the Corporation disposed of three properties for consideration of \$575,563. The loss on disposal recorded for these three properties was \$5,511. As of September 30, 2014, the Corporation had eight investment properties classified as available for sale.

The Mongolian Tögrög improved throughout the quarter, appreciating by 4% versus the Canadian Dollar. The Mongolian Tögrög has depreciated 6% during the first nine months of the year.

Economic Overview

During the past few years, the Mongolian real estate sector has benefitted from the significant local economic growth achieved in Mongolia over the past few years. 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 first nine months of 2014 saw foreign direct investment decrease by 59% over the same period of the previous year. During this same period, the National Consumer Price Index increased 8.5% (8.2% for the first nine months of 2013) while annualized GDP growth fell to 7% from 12.8% during this same period. Inflation during the year has remained high at levels of 12-14%.

As of September 30, 2014, full resolutions on outstanding issues were not achieved between the Government of Mongolia and Rio Tinto regarding the phase two of the Oyu Tolgoi project though negotiations are still ongoing between both parties.

On November 6, 2014, Mongolian Prime Minister Altankhuyag Norov was ousted in a 54.5% non-confidence vote. Deputy Prime Minister Terbishdagva Dendev acted as Prime Minister until Saikhanbileg Chimed, the acting cabinet secretary, was elected as the 28th Prime Minister of Mongolia on November 21, 2014

The Mongolian Tögrög had its first positive quarter versus the Canadian dollar this quarter increasing 2%. The Tögrög began the year at 1549 MNT/CAD and finished at a rate of 1638 MNT/CAD on September 30, 2014. Since that time, it has declined slightly in value closing at 1673 MNT/CAD on November 25, 2014. Management would like to note that in general, most commercial property transactions in Ulaanbaatar are negotiated for in US Dollars and recent declines in the Tögrög to US Dollar exchange rate have not had a noticeable impact on the prices of property assets, in US Dollar terms.

Property Overview

The general property market continues to be influenced by the overall Mongolian economy.

In particular, there has been a steady and increased interest in high quality retail locations on Peace Avenue and other high traffic streets. The Corporation has the majority of its retail portfolio along these streets and has seen high levels of interest in leasing or purchasing these locations at steadily increasing prices.

Outside of the downtown of Ulaanbaatar, a noticeable increase in building activity has increased supply in certain markets and led to a trailing off in prices. In addition, there has been a recent increase in office construction activity that would likely lead to future increased supply in the office market.

Management cautions shareholders that property prices have historically been, and continue to be, very volatile. Management expects continued high demand for well-located retail space, with a lower demand level for office space. However, demand for office space continues to remain stable.

Outlook

Management has a clear focus with continuing our growth to ensure value per share remains and increases with our progress.

The disagreement and postponement of Phase II of the Oyu Tolgoi major copper mine, along with a substantial decline in Foreign Direct Investment (FDI) and the decline in the Mongolian Tögrög has reduced the typical pent up sentiment we are all used to. Fortunately, this has not had an impact on our business, as our market segment is currently middle to upper, hence demand remains consistent and resilient in that mid-stream band. This can be seen by the fact that our property investment portfolio is nearly all leased and the pre-leasing for our new real estate developments is very strong. This is all in contrast to the broader economy which is slowing, but because we are in a high demand band, the affect has been minimal. However, the continued negative sentiment caused by the Oyu Tolgoi dispute, a decline in FDI and a weaker Mongolian Tögrög may potentially impact our operations in the future, via reduced occupancy and lower lease rates.

Since the new CEO was appointed in March, we have restructured the company into two distinct groups, being the real estate investment portfolio and real estate developments. The emphasis here was to make the recurring revenue generation side of the business more distinct from the value-creation side, such as development, which has different risk profile.

The most revenue-sensitive support function in our business is leasing and property sales. Therefore, to ensure we have a best in class people during these slower times, we have recruited a new leasing and sales department team to service both the investment portfolio side of our business, as well as the real estate developments. This new team is what has resulted in MGG having nearly full occupancy and also substantial pre-lease commitments for our developments. In addition to the leasing function, we have reviewed all other support departments in the company and made necessary efficiency improvements and refined support functions to a commercial minimum.

We are making significant strides with realigning our real estate investment portfolio into primarily commercial property and downtown. Our strategy is to continue not to own any residential investments

going forward and therefore we are gradually selling these in a timely way, as well as our non-core commercial properties. In addition, we have begun in earnest to undertake our downtown major real estate developments, the first one being Tuguldur Center. In parallel, we will be considering our second prized location, known as the Peace Tower site and our intent is to source a potential Joint Venture Partner, with access to development capital.

In terms of company strategy, in March 2014 the CEO cited that we could also consider in our overall strategy the possibility of being a third party services provider and charge fees in order to gain additional revenue for the company. We have had to put that item in the background for the time being, as our real estate developments are far more financially worthwhile at present and our staff are better utilized in that way, than being assigned to seeking professional services fees from the market. We don't anticipate reconsidering this for another year, as our staff are fully committed to our high margin developments for the time being.

Section 2 - Executing the Strategy

Core Business

MGG's core business involves the ownership and management of institutional quality property assets in Ulaanbaatar. During the past three years, Management has worked pro-actively to aggressively build up the infrastructure capability needed to manage the Corporation's property assets. Management believes it has a very strong team in place to lead the Corporation into its next phase of growth.

MGG's plans on further expansion of its property holdings via the investment of additional capital into income producing and redevelopment properties in Ulaanbaatar. The Corporation will continue to source suitable investment targets which meet MGG's investment criteria. This mandate would be consistent with the prevailing capital markets and lending environment being conducive at the time.

Since inception, MGG has acquired a number of redevelopment properties. To date, the Corporation has only remodeled, rebuilt and completed additions on properties. It is Management's intent to undertake property developments on Corporation owned sites. MGG's intent is to remain a substantial owner of the properties, post-completion.

With the hiring of Paul Byrne as CEO, the Corporation will begin to explore managing third party property assets along with the management of property funds. This program is in its infancy and to date, the Corporation only manages one third party asset.

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 year 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. Management would like to note that the increase in the Togrog versus the Canadian Dollar during the quarter has served to increase the value of the assets during the 3rd quarter of 2014.

Investment Properties

Investment Properties includes 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 September 30, 2014:

	Q3 2014			Q2 2014		
	# of Properties	Value at September 30 2014	Meters	# of Properties	Value at June 30 2014	Meters
Residential	6	742,075	-	6	710,682	-
Office	3	5,228,357	2,650	3	5,007,173	2,650
Retail - high street	23	19,443,888	5,960	25	18,891,897	6,158
Retail –secondary street	15	3,548,477	1,834	16	3,622,281	1,962
Land and Redevelopment	4	15,899,150	6,228	4	15,197,311	6,228
Total	51	44,861,947	16,672	54	43,429,344	16,998

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 September 30, 2014:

	Q3 2014			Q2 2014		
	# of Properties	Carrying Value at September 30 2014	Meters	# of Properties	Carrying Value at June 30, 2014	Meters
Residential	2	139,232	-	2	134,541	-
Office	1	2,620,857	1300	1	2,509,240	1,300
Retail - high street	-	-	-	-	-	-
Retail – secondary street	-	-	-	-	-	-
Land and Redevelopment	-	-	-	-	-	-
Total	3	2,760,089	1,300	3	2,643,781	1,300

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 classified within other assets. There are currently two assets within this category. One is a large high street retail location while the other is a small property which is a component of one of the Corporation's redevelopment assets.

The following table represents properties classified as Prepaid Deposits on Investment Properties, as of September 30, 2014:

	Q3 2014			Q2 2014		
	# of Properties	Carrying Value at September 30, 2014	Meters	# of Properties	Carrying Value at June 30, 2014	Meters
Residential	-	-	-	-	-	-
Office	-	-	-	-	-	-
Retail - high street	1	839,485	184	1	803,971	184
Retail - secondary street	-	-	-	-	-	-
Land and Redevelopment	1*	68,771	28	1*	65,862	28
Total	2	908,256	212	2	869,833	212

* This land asset is 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:

	September 30, 2014	December 31, 2013	September 30, 2013
	Occupancy Rate*	Occupancy Rate*	Occupancy Rate*
Retail – High Streets	100.0%	100%	100.0%
Retail – Secondary Streets	100.0%	94.1%	80.4%
Office	96.9%	66.1%	80.3%
Residential	100.0%	100%	88.1%
Total	98.9%	93.8%	88.6%

* Occupancy rates are calculated on a per meter basis and are rented or available for rent. The occupancy rates do not include properties under renovations, available for sale or under redevelopment.

Retail occupancy rates for both high and secondary streets have continued to remain very strong.

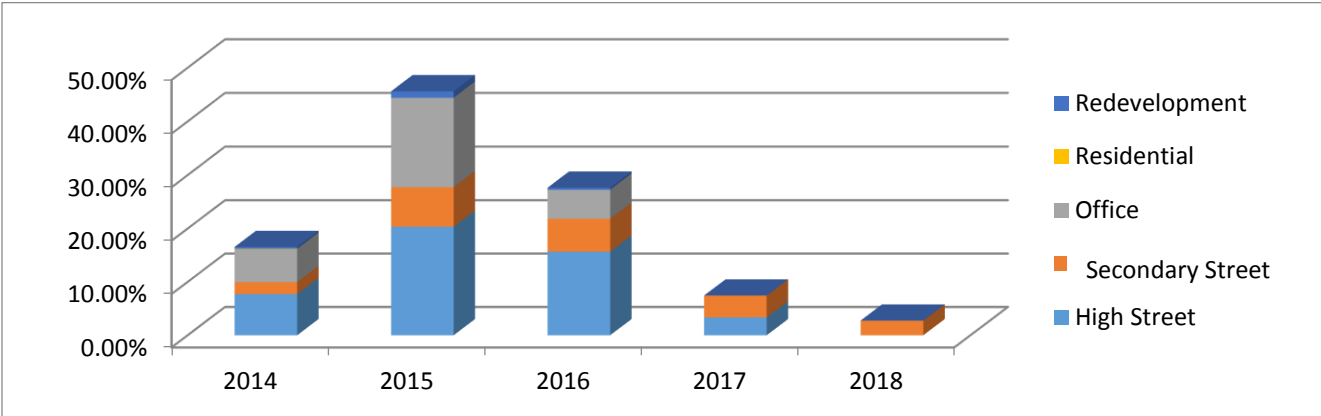
The Corporation's office occupancy rates were positively impacted during the quarter by the remodeling of an office space for the state run dental clinic.

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 first right to re-lease the space at then prevailing market rates.

During the fourth quarter of 2014, there are approximately 1,420 meters of leases, representing about 33,700,000 MNT in monthly rental revenue that is set to expire. The Corporation actively monitors lease renewals and anticipates that many of these leases will be renewed with existing tenants at rates that are near current market rates, and higher than previous lease rates.

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 18.5 months at September 30, 2014, from 17.7 months at December 31, 2013.

Section 3 - Results of Operations

Selected Quarterly Financial Information (CAD)

	Quarter Ended September 30 2014 \$	Quarter Ended September 30 2013 (Restated) \$	Quarter Ended September 30 2012 (Restated) \$
Revenue and other income			
Rental revenue	420,621	407,104	383,920
Gain on sale of assets	(5,511)	34,896	70,973
Late fees and miscellaneous income	9,677	10,187	-
Interest income	38,771	30,735	64,749
Net Revenue	463,558	482,922	519,642
Expenses			
Corporate & business development	517,851	555,312	546,383
Share based payments	353,961	273,375	254,305
Depreciation	30,553	33,313	15,284
Property management and operating expenses	468,932	490,461	279,559
Impairment of other asset	402,339	-	-
Finance expense	179,041	-	-
Net Expenses	1,952,677	1,352,461	1,095,531
Income			
Loss from Operations	(1,489,119)	(869,539)	(575,889)
Fair value adjustment	-	-	-
Loss from continuing operations attributable to equity holders of the Corporation	(1,489,119)	(869,539)	(575,889)
Loss attributable to equity holders of the Corporation	(1,497,469)	(104,021)	(494,782)
Comprehensive income/ (loss) attributable to equity holders of the Corporation	506,115	(6,115,932)	(1,202,172)
Basic earnings per share ("EPS") (in CAD)			
Earnings/ (loss) from continuing operations	(0.04)	(0.03)	(0.02)
Earnings/ (loss) from discontinued operations	-	0.02	0.00
Net income/ (loss)	(0.04)	-	(0.02)
Diluted EPS (in CAD)			
Earnings/ (loss) from continuing operations	(0.04)	(0.02)	(0.01)
Earnings/ (loss) from discontinued operations	-	0.02	0.00
Net Income/ (loss)	(0.04)	-	(0.01)
Balance Sheet			
Total Assets	55,523,885	47,988,406	52,048,976
Total Liabilities	5,830,094	5,909,172	2,016,330
Total Equity	49,693,791	42,079,234	50,032,646
Shares Outstanding at quarter end	34,848,745	34,303,352	34,143,352
Book Value per share	1.43	1.23	1.47

Rental Revenue from Investment Properties

For the third quarter of 2014, revenue from Investment Properties reached \$420,621 versus \$461,652 in the second quarter of 2014 and \$407,104 in the third quarter of 2013. The reduction during the quarter was primarily attributable to realignment and decrease in the number of rentable properties.

Q3 2014 Revenue From Investment Properties	Q3 2013 Revenue From Investment Properties	% Change (Q3 2014 – Q3 2013)	Q2 2014 Revenue From Investment Properties	% Change (Q3 2014 – Q2 2014)
\$420,621	\$407,104	3.3%	\$461,652	(8.9%)

Revenue from Other Sources

For the quarter ending September 30, 2014, revenues from other sources totaled \$42,937 compared to \$75,818 for the quarter ending September 30, 2013. Revenue from other sources consists of gains on sales of assets, late fees & miscellaneous income and interest income. The majority of this decrease was due to a loss on sale of assets during the quarter compared to a gain during the same period of the previous year.

	Q3 2014	Q3 2013
Gain / (loss) on Sale Of Assets	\$(5,511)	\$34,896
Late Fees and miscellaneous income	\$9,677	\$10,187
Interest Income	\$38,771	\$30,735
Total Revenue from Other Sources	\$42,937	\$75,818

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 September 30, 2014, the fair value adjustment to investment properties was an unrealized gain of \$nil, (2013 Q3 - \$nil).

Corporate and Business Development

Corporate and Business development expense includes various corporate expenses incurred in North America, including salaries for senior executives, board compensation and business development for staff in Mongolia, professional fees, travel, rent and other.

Quarterly expenses related to corporate and business development totaled \$1,037,695 (Q3 2013 - \$613,658). The total expenses during the quarter increased considerably as compared to Q3 2013 primarily because of discount of \$402,339 given to UMC in exchange for early repayment of a debt. Furthermore, expenses increased as a result of an increase in the share based payment expense from \$104,592 to \$206,826 during the quarter and professional fees relating to a potential share issue that did not occur.

Property Management Expense

Property management expense relates to costs incurred by the property management team to manage the Corporation's portfolio of assets. The main components of property management expense are property management wages and salaries, professional fees, property taxes and other expenses.

For the quarter ended September 30, 2014, property management expenses totaled \$468,933 (Q3 2013 - \$490,461).

Expense Item	Q3 2014 (\$)	Q3 2013 (\$)
Professional fees	52,140	184,265
Advertising	3,752	2,345
Salaries and wages	271,302	195,170
Land and property taxes	58,222	71,611
Repairs and maintenance	24,104	22,352
Utilities	43,311	9,752
Others	16,102	4,966
Total	\$468,933	\$490,461

Currency

The Mongolian Tögrög has depreciated 6.8%, 5.1%, 11.5% in 2011, 2012 and 2013 respectively versus the Canadian Dollar and a further 6.3% during the first nine months of 2014. 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. During 2013, the Corporation recognized a significant foreign exchange adjustment loss of \$3,667,964 to its investment property portfolio due to the 11.5% depreciation of the local currency during the year. The Corporation recognized a further currency loss of \$1,775,580 during the first nine months 2014 due to a further depreciation of the local currency. On September 30, 2014 the Mongolian Tögrög was 1,638 MNT/CAD and has decreased slightly to 1673 MNT/CAD on November 25, 2014.

Operating Profit/ (Loss) from Continuing Operations

MGG generated an Adjusted EBITDA loss of \$1,379,402 during Q3 2014 compared to a loss of \$866,961 during Q3 2013. Excluding share based payments, the Corporation reported Adjusted EBITDA losses of \$964,335 during Q3 2014 (Q3 2013 – loss of \$593,586). This reflects increased salaries, property taxes and the discount of \$402,339 given to UMC in exchange for early repayment of a debt.

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

	Q3 2014	Q3 2013 (restated)
	\$	\$
Net Income / (loss) before Income taxes	(1,489,119)	(869,540)
Add Depreciation and Amortization	30,553	33,313
Subtract Interest and Investment Income	(38,771)	(30,734)
Add Finance expense	179,041	-
EBITDA	(1,379,402)	(866,961)
Subtract Fair Value Adjustment	-	-
Total Adjusted EBITDA	(1,379,402)	(866,961)

Net Income

For the quarter ending September 30, 2014, the Corporation incurred a net loss of \$1,497,469 compared to a net loss of \$869,958 (restated) for the quarter ending September 30, 2013. This increased loss is due primarily the discount of \$402,339 given to UMC in exchange for early repayment of a debt.

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 operating, financing and investing activities. Management expects to meet all of the Corporation's obligations through current cash and cash equivalents along with cash flows from operations.

The following table provides an overview of the Corporation's cash flows from operating, financing and investing activities for the quarter ended September 30, 2014, and September 30, 2013.

Net change in cash related to:	Q3 2014	Q3 2013
	(\$)	(\$)
Operating	(950,253)	119,045
Investing	(251,851)	900,747
Financing	152,973	-
Effects of exchange rates on cash	153,330	(345,570)
Net change in cash during the period	(895,802)	674,222

Overall, there were net cash outflows during the third quarter of 2014 compared to net cash inflows in the previous year's third quarter, primarily due to outflows from operating activities and expenditure on investing activities. The changes in components of cash flows for the quarter ended September 30, 2014 compared to the quarter ended September 30, 2013 were the result of the following factors:

- Operating – Operating cash outflows for the quarter increased mainly due to an increase in operating costs as explained above.
- Investing – Investing cash outflows for the quarter increased due to capital expenditure on acquisitions, in particular in relation to the Tuguldur Center asset acquisition.
- Financing – Financing cash inflows for the quarter increased as a result of the exercise of share options. There were no share options exercised during the same quarter last year.

As at September 30, 2014, the Corporation had approximately \$3,429,576 in cash and cash equivalents. Additionally, \$2,743,771 is owed to the Corporation by UMC Capital LLC and is due to be received by the end of November 2014. The receivable from UMC is due to be paid earlier than expected as a result of an early payment discount of \$402,339 offered to UMC. The Corporation received a portion of the original receivable (\$223,978) on September 30, 2014, and on November 25, 2014, the Company received cash of US\$2,450,000, which represented the final installment on the amount receivable from UMC in relation to the disposal of Mandal. Additionally, on November 25, 2014, the Company paid a Mongolia commercial bank US\$2,482,926 which repaid in full both the accrued interest and principal outstanding on the long term debt.

Total Assets

As of September 30, 2014, the Corporation had \$7,689,000 in Current Assets of which approximately 45% were held in cash and cash equivalents (Q3 2013 – \$14,912,204 and 45%).

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 increased throughout the quarter by way of acquisitions and the appreciation of the local currency during the quarter.

In the third quarter of 2014, assets classified as Investment Properties increased to \$44,861,947 from \$32,313,391 as at December 31, 2013, primarily due to an increase in unrealized fair value adjustment and a large acquisition offset slightly by dispositions of several small properties. Property and Equipment declined to \$2,972,938 (December 31, 2013 - \$3,915,692) as certain assets classified in this category were reclassified as Investment Properties.

Lastly, as part of the agreement to sell Mandal to UMC Capital LLC, proceeds of \$2,743,771 are to be paid to the Corporation by UMC by the end of November 2014. These are classified on the balance sheet as Receivable from UMC, under Other Assets and are classified as current assets based on the contractual payment dates. \$223,978 of the original receivable was received on September 30, 2014, following the negotiation of an early payment discount of \$402,339.

Total Financial Liabilities

As of September 30, 2014, the Corporation had current liabilities of \$1,500,081 (December 31, 2013 – 878,343), consisting primarily of payables and accrued liabilities and the current portion of long term debt. The increase from December 2013 relates primarily to the current portion of long term debt.

As of September 30, 2014, the Corporation had long term debt outstanding of \$3,334,171 split between current and non-current liabilities based on contractual payment dates. The debt finance was received through a commercial bank in Mongolia, bears interest between 13% and 15% and is reviewed annually by the bank. The loan is currently being repaid according to a payment schedule of principal and interest payments and is secured against four of the Corporation's properties.

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

Deferred tax liabilities were \$1,618,987 at September 30, 2014 (December 31, 2013 - \$1,090,117).

On November 25, 2014, the Company paid a Mongolia commercial bank US\$2,482,926 which repaid in full both the accrued interest and principal outstanding on the long term debt.

Total Equity

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

Outstanding	as at September 30, 2014	As of December 30, 2013
Common shares	34,848,745	34,303,352
Options to buy common shares	2,108,000	1,957,000

Options Outstanding

At period-end, the Corporation had 1,392,750 options that were exercisable (December 31, 2013 – 1,324,500).

The Chart below shows the historical option grants and options outstanding as of September 30, 2014.

Option Price	Granted	Forfeited	Cancelled	Exercised	Total Options Outstanding	Total exercisable	Non exercisable
1.64	100,000	-	-	100,000	-	-	-
1.75	300,000	-	-	250,000	50,000	50,000	-
1.90	1,363,000	-	-	200,000	1,163,000	625,250	537,750
4.20	900,000	408,000	362,000	-	130,000	97,500	32,500
4.77	175,000	100,000	-	-	75,000	65,000	10,000
4.25	150,000	50,000	-	-	100,000	50,000	50,000
4.00	190,000	-	-	-	190,000	105,000	85,000
4.13	475,000	75,000	-	-	400,000	400,000	-
Total	3,653,000	633,000	362,000	550,000	2,108,000	1,392,750	715,250

Acquisitions and Dispositions

During the third quarter of 2014, the Corporation did not purchase any properties, however spent \$108,358 on capital expenditures to further develop one of its redevelopment assets.

During the quarter, three properties were sold for total proceeds of \$575,563, and a loss on sale of 5,511. Since the start of the year, the Corporation has sold or swapped eighteen properties for a total gain on disposal of \$196,528.

Off-Balance Sheet Items

As of September 30, 2014 the Corporation had no off-balance sheet items.

Events Subsequent to Quarter End

The Corporation sold 5 investment properties with a fair value of approximately \$357,000 for cash proceeds of approximately \$347,500. The loss since December 31, 2013 is attributed to the currency depreciation in the Mongolian Tögrög.

On November 25, 2014, the Company received cash of US\$2,450,000, which represented the final installment on the amount receivable from UMC in relation to the disposal of Mandal. Additionally, on November 25, 2014, the Company paid a Mongolia commercial bank US\$2,482,926 which repaid in full both the accrued interest and principal outstanding on the long term debt.

Section 5 - Quarterly Information

Quarterly Results

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

	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012
Revenue *	\$424,787	\$542,837	\$634,581	\$433,122	\$452,187	\$421,618	\$425,753	\$257,495
Net income (loss) *	\$(1,489,119)	\$5,033,379	\$812,202	\$1,866,906	\$(869,539)	\$(1,073,942)	\$277,920	\$(3,880,740)
Income (loss) per common share*	\$(0.04)	\$0.15	\$0.02	\$0.05	\$(0.03)	\$(0.03)	\$0.01	\$(0.11)
Total Assets	\$55,523,885	\$54,965,199	\$49,253,675	\$47,291,018	\$47,988,406	\$52,443,237	\$52,859,111	\$51,306,531
Net income (loss) *	\$(1,489,119)	\$5,033,379	\$812,202	\$1,866,906	\$(869,539)	\$(1,073,942)	\$277,920	\$(3,880,740)

*These numbers have been restated to reflect the continued operations (before tax) of the Corporation.

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 year ended December 31, 2013, the fair value adjustment to investment properties was a gain of \$3,845,521 compared to a loss of \$2,697,212 for the same period in 2012. For the nine month period ending September 30, 2014, the fair value adjustment to investment properties was an unrealized gain of \$7,936,746 compared to an unrealized fair value gain of \$1,136,125 during the same period of 2013. The majority of this unrealized gain (\$6,112,423) was recorded in June 2014 as the Corporation obtained the full land title for one of its redevelopment assets previously held at cost. This holding comprises of 52 separate property titles.

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 Corporation. 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 options and future forfeiture rates. For the quarter ending September 30, 2014, the cost of the share based payments totaled \$353,961 (Q3 2013 - \$273,375).

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 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 Corporation.

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 September 30, 2014, the Corporation has identified eight 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.

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 across residential and commercial classes. Historically, bad debts have not been a substantial expense for the Corporation.

The Corporation was also exposed to credit risk through the receivable owed by UMC Capital LLC of \$2,743,771 for the purchase of its interest in Mandal General Insurance. The amount was received subsequently on November 25, 2014.

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 September 30, 2014.

As at September 30, 2014, MGG had working capital of \$6,188,920 (December 31, 2013 - \$8,538,467) 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).

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.

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 fast growing 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.

Inflation remains at an elevated level compared to many mature economies. As reported by the National Statistics Office, year over year inflation in September 2014 reached 13.6%, its highest level since 2012. The Bank of Mongolia is working hard to ensure stability.

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.

Certain members of parliament have recently asked to re-negotiate the agreement that exists between the government of Mongolia and Turquoise Hill regarding the current tax stability agreement. There can be no certainty if any changes to the agreement will be reached and how it will impact the investment climate or future GDP growth of Mongolia.

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 www.sedar.com. A 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 and pays interest on its long term debt. 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 to 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.

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, 2014 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.