MONGOLIA GROWTH GROUP LTD.

Management Discussion & Analysis

December 31, 2013

Contents

MONGOLIA GROWTH GROUP LTD.

Management Discussion & Analysis

December 31, 2013

The management of Mongolia Growth Group Ltd. ("MGG" or "the Corporation") presents the Corporation's management discussion and analysis for the year ended December 31, 2013 (the "MD&A"), compared with the year ended December 31, 2012. 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 April 30, 2014 and incorporates all relevant information and considerations to that date.

The following discussion and analysis should be read in conjunction with the audited consolidated financial statements of the Corporation for the year ended December 31, 2013 and December 31, 2012 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 earnings before interest, taxes, depreciation and amortization ("EBITDA"). MGG uses 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.

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.

Section 1 –Overview

Financial and Operational Overview

On December 20, 2013, the Corporation disposed of its insurance subsidiary, Mandal General Insurance LLC ("Mandal") for total proceeds of $3,669,951. This disposition will allow Management to focus on the core property business which comprises the majority of the Corporation's assets and operations.

During the year the Corporation renewed several leases at significantly higher rates in Mongolian Tögrög terms. Unfortunately, increased renewal rates were offset by a decline in the Mongolian Tögrög, which resulted in the Corporation's rental revenue increasing by only 5% over the previous year. The Corporation's occupancy rates continue to improve with high and secondary street retail space being almost fully occupied during the majority of the year, and a 100% high street retail occupancy and a 94.1% secondary street retail occupancy at December 31, 2013.

The Corporation had an unrealized fair value adjustment gain at the end of the year of $3,845,521 versus a fair value adjustment loss of $2,697,212 during the prior year.

The Corporation had a net loss from Continuing Operations of $250,574 or a net loss of $0.01 per share (EPS) versus a net loss of $4,931,975 or a net loss of $0.14 (EPS) in 2012 (restated).

The Corporation continues to dispose of non-core assets to streamline the portfolio and dispose of smaller and underperforming assets. It is anticipated that proceeds from sales will be reinvested in higher quality institutional assets with better net-yield profiles. During the year, the Corporation disposed of 6 properties worth $921,126 at a loss of $17,906. As of December 31, 2013, the Corporation had 16 investment properties classified as available for sale.

The Mongolian Tögrög continued to depreciate throughout the year, depreciating 11.5% versus the Canadian Dollar over the course of 2013.

Economic Overview

The Mongolian real estate sector has benefitted from the 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 further led to a substantial increase in the gross production of the local economy.

During the first half of 2013, uncertainties due to the presidential election, a reduction in Chinese demand for coal and an unsure environment for mining and foreign investment led to a decrease in the rate at which the Mongolian economy grew. Economic growth accelerated in the second half of 2013 following the successful re-election of President Elbegdorj, the repeal of the Strategic Entities Foreign Investment Law (SEFIL) and an increased focus on attracting foreign investment. This growth has continued into 2014 and the local economy appears to be quite robust, with the exception of certain industries related to coal mining and its supply chain.

During the second quarter of 2013, the government announced a program to offer 8% mortgages on certain conforming apartments. As consumers refinance their properties, it has created a stimulating effect on the economy. Loans outstanding in the banking industry also increased substantially during 2013, rising 54.3%. From December 31, 2012 to December 31, 2013, the National Consumer Price Index increased 12.3%.

The Mongolian economy continues to grow according to data from The National Statistics Office of Mongolia ("NSO") with estimates of full year 2013 growth of 11.7%. The growth rate has been sustained in part by the spending from the Chinggis Bond, which has been directed towards investment in roads, as well as manufacturing and construction sector developments. The Chinggis Bond is a US $1.5 billion bond offering, consisting of 5-year and 10-year bonds, listed on international debt markets.

The Mongolian Tögrög has fluctuated significantly over the past two years. In 2012, the average exchange rate between the Tögrög and the Canadian Dollar was approximately 1,360 MNT/CAD for the year, whereas during 2013, the Tögrög reached a low of over 1,649 Tögrög per Canadian Dollar and averaged 1,467 per Canadian Dollar. 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. In addition, in times of currency volatility, Mongolians have tended to prefer to acquire property assets to protect their savings.

It is anticipated that the economy will remain strong, despite concerns over commodity price volatility and questions over when phase 2 of the Oyu Tolgoi mine will begin construction.

Property Overview

The general property market continues to be influenced by improvement in the overall Mongolian economy. During 2012, the Mongolian Central Bank raised interest rates and reserve requirements amongst banks leading to a slowdown in terms of overall price appreciation. This led to increases in capitalization rates as rental rates continued to increase. During the second quarter of 2013, the Mongolian Central Bank lowered interest rates which resulted in increases in property prices, and as of today, prices in finished structures, land and land-like assets in the downtown area are at or above prices seen at the peak in the early summer of 2012.

Outside of the downtown of Ulaanbaatar, a noticeable increase in building activity has saturated certain markets and led to a decline in prices. In addition, there has been a recent increase in office construction activity that will likely lead to future saturation in the office market. Management cautions shareholders that property prices have historically been, and continue to be, very volatile.

It should also be noted that the recent initiation of 8% mortgages for certain conforming apartments has led to a sizable increase in conforming apartment prices and strong increases in the value of land assets that are suitable for building apartments.

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 improve with the strength of economy.

Section 2- Executing the Strategy

Core Business

MGG's property division experienced slower growth in assets than it has in prior years. During the past three years, Management and employees have worked hard to aggressively build up the infrastructure needed to manage this division. Management believes it has a very strong team in place to lead the Corporation into its next phase of growth.

Due to the rapid growth of the Mongolian economy and a shortage of high quality rental locations, property rents have increased rapidly, particularly in office and prime retail locations. The Corporation has recently signed a number of leases at rates substantially higher than previous rates indicating a sizable increase in current market rates compared to prior rates. In order to benefit from increasing rental rates, the Corporation maintains most leases on short durations (with a view to re-lease at a higher rate) and includes rent escalation clauses in most of its leases with tenants that occupy the property for over one year in duration.

MGG's real estate subsidiary plans on further expansion via the investment of additional capital into income producing and redevelopment properties in Ulaanbaatar. The Corporation's plan is contingent on procuring further funds for investment and on finding suitable investment targets which meet MGG's stringent investment criteria.

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

Portfolio

Mongolia Growth Group's properties are located in 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.

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 expenditures. 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 December 31, 2013;

	# of Properties	Value at Dec 31, 2013	Meters (2013)	# of Properties	Value at Dec 31, 2012	Meters (2012)
Residential	10	1,378,377	-	13	1,697,443	-
Office	4	5,310,481	2,727	5	5,074,258	2,976
Retail - high street	25	11,497,733	4,625	23	7,608,983	3,778
Retail - secondary street	18	4,560,486	2,183	18	3,993,254	2,284
Land and Redevelopment	6	9,566,314	11,540	6	12,412,804	11,540
Total	63	32,313,391	21,075	65	30,786,742	20,578

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 Corporation’s Headquarters, purchased in October 2011, falls within this category.

The following table represents properties classified as Property and Equipment, as of December 31, 2013;

	# of Properties	Net Book Value at Dec 31, 2013	Meters (2013)	# of Properties	Net Book Value at Dec 31, 2012	Meters (2012)
Residential	4	591,557	-	4	724,792	-
Office	1	2,567,260	1,300	1	3,143,369	1,300
Retail - high street	1	510,728	134	1	262,558	134
Retail - secondary street	-	-		-	-	-
Land and Redevelopment	-	-		-	-	-
Total	**6**	**3,669,545**	**1,434**	**6**	**4,130,719**	**1,434**

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 the Mongolian Property office, are recorded at cost as Prepaid Deposits on Investment Properties and classified within other assets.

The following table represents properties classified as Prepaid Deposits on Investment Properties, as of December 31, 2013;

			2013			**2012**
	# of Properties	**Value at Dec 31, 2013**	**Meters**	**# of Properties**	**Value at Dec 31, 2012**	**Meters**
Residential	-	-	-	-	-	-
Office	-	-	-	-	-	-
Retail - high street	1	908,222	379	1	954,759	379
Retail - secondary street	-	-	-	-	-	-
Land and Redevelopment	5*	950,860	1,708	2*	671,481	1,580
Total	**6**	**1,859,082**	**2,087**	**3**	**1,626,240**	**1,959**

* 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:

	December 31st, 2013	**December 31st, 2012**
	Occupancy Rate*	**Occupancy Rate***
Retail – High Streets	100%	100%
Retail – Secondary Streets	94.1%	95.2%
Office	66.1%	84.3%
Residential	100%	95.6%
Weighted Average**	**93.8%**	**97.7%**

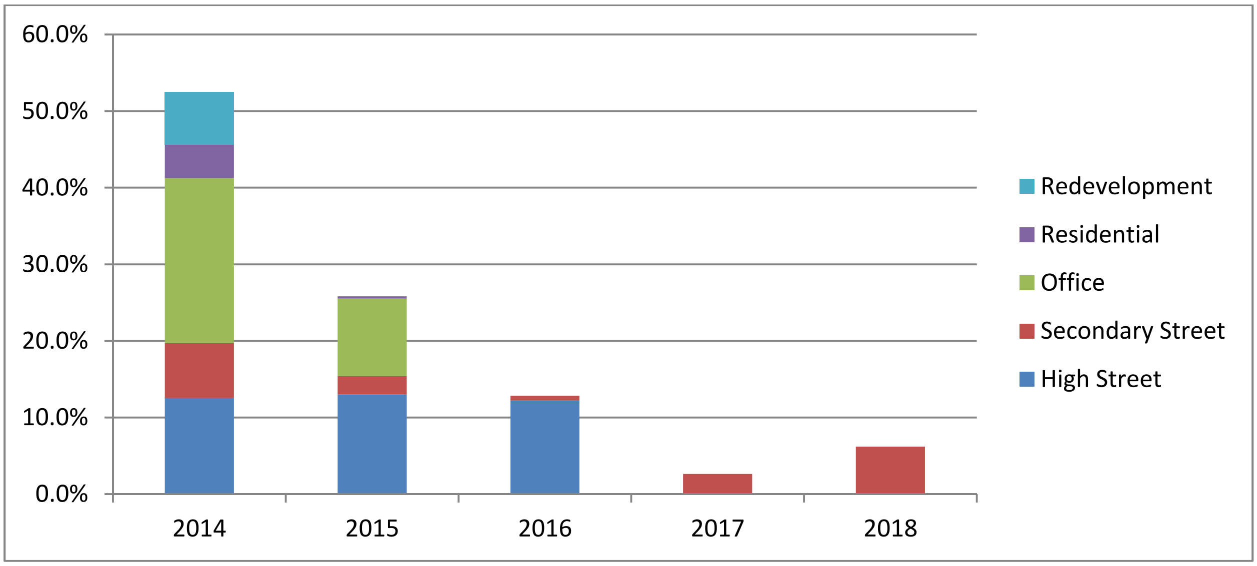
* Occupancy rates are calculated on a per meter basis;
** Weighted Average is calculated based on total meters available for lease

As disposable income levels continue to rise, demand for retail space has been strong, especially on high streets. Demand for office space decreased significantly throughout the year as several foreign companies downsized their operations. The Corporation's office occupancy rates were negatively impacted at the end of the year by the downsizing of a major local tenant previously occupying an entire office building. Retail occupancy rates for both high and secondary streets remain very strong as disposable income per capita continues to increase.

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.

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



The weighted average remaining lease term decreased slightly to 17.7 months at December 31st 2013, from 18.4 months at December 31st 2012.

It is Management's belief that many existing leases are at rates that are below current prevailing market rates. Furthermore, recent renewals have seen sizable increases in lease rates from prior rates as presented in the chart below.

Most Recent Retail Lease Signings

Lease Type	Lease Renewal Date	SqM	Old Price Per Meter (Mongolian Tögrög)	New Price Per Meter (Mongolian Tögrög)	Percent Increase
High Street Retail Lease	October 2013	135	21,984	47,051	114%
Secondary Street Retail Lease	October 2013	161	14,075	19,705	40%
High Street Retail Lease	November 2013	183	18,670	39,830	113%
Secondary Street Retail Lease	January 2014	199	16,902	31,978	89%
High Street Retail Lease	February 2014	206	16,019	35,232	120%

Section 3- Results of Operations

Selected Annual Financial Information (CAD)

	Year ended **December 31 2013**	Year ended **December 31 2012 (Restated)***	Year ended **December 31 2011 (Restated)***
Revenue and other income	1,727,373	1,582,460	511,525
Income			
Income/ (loss) from continuing operations attributable to equity holders of the Corporation	(250,574)	(4,931,975)	2,717,206
Net Income/ (loss) attributable to equity holders of the Corporation	(155,563)	(6,073,750)	1,349,153
Comprehensive income/ (loss) attributable to equity holders of the Corporation	(3,713,297)	(7,360,920)	107,716
Basic earnings per share ("EPS") (in CAD)			
Earnings/ (loss) from continuing operations	(0.01)	(0.14)	0.11
Earnings/ (loss) from discontinued operations	0.00	(0.03)	(0.05)
Net income/ (loss)	(0.01)	(0.17)	0.06
Diluted EPS (in CAD)			
Earnings/ (loss) from continuing operations	(0.01)	(0.14)	0.11
Earnings/ (loss) from discontinued operations	0.00	(0.03)	(0.05)
Net Income/ (loss)	(0.01)	(0.17)	0.06
Balance Sheet			
Total Assets	47,291,018	51,306,531	55,336,889
Financial liabilities	878,343	3,389,025	2,040,129
Total Equity	45,322,558	47,303,560	53,296,760
Shares Outstanding at year end	34,303,352	34,143,352	34,143,352
Book Value per share	1.32	1.38	1.56

*Excludes operations of Mandal previously included in Continuing Operations. Mandal was disposed of on December 20, 2013.

Revenue from Investment Properties

For the year end December 31, 2013, Revenue from Investment Properties reached $1,650,895 versus $1,572,603 in the prior year. This increase was attributable to higher prevailing market lease rates, reduced vacancy, and offset by a decline in the Mongolian Tögrög along with certain tenants vacating properties that are now in the ‘held for sale’ category.

Revenue from Discontinued Operations

Revenues from Mandal increased substantially from $672,183 in 2012 to $2,239,230 in 2013 as Mandal substantially increased premiums. Although improvements were seen in the insurance business, the Management of MGG decided to focus on the core operations of the Corporation, which is real estate, leading to the disposition of the insurance business to UMC Capital LLC on December 20, 2013.

Revenue from Other Sources

Revenue from other sources consists of late fees and other income. For the year ending December 31, 2013, revenues from other sources totaled $76,478 compared to $ 9,857 for the year ending December 31, 2012.

Fair Value Adjustment on Investment Properties

As elected under IFRS, the Corporation's investment portfolio is subsequently measured at fair value in the Corporation's financial statements. As of December 31, 2013, the Corporation had 87% of its Investment Properties Portfolio valued by either an international valuation firm or by Management. The remaining 13% was held at cost or its 2012 fair value. Out of the properties carried at fair value at December 31, 2013, 67% of the portfolio was valued by an international valuation firm while the remaining 33% was valued internally by Management. 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. Retail properties saw a substantial increase in value, while office buildings declined moderately in value. The Corporation's residential properties, land and redevelopment assets declined slightly.

Property Operating Expenses

Property Operating Expenses consist of repairs and maintenance, bad debts, utilities, salaries and land and property taxes. For the year ending December 31, 2013 the property operating expenses were $1,398,184 compared to $987,407 during the same period in 2012, representing an increase of 41%. This increase is mainly attributed to hiring of several senior employees.

Expenses from Discontinued Operations

Expenses from the Corporation's former insurance subsidiary increased significantly during the year. The increase was primarily due to an increased claims reserves as well as an increase in salaries.

Corporate Expenses

Corporate expenses includes senior management's compensation, share-based costs, leasing and marketing costs, listing fees, professional fees, technology, travel and administrative costs.

For the year ending December 31, 2013 general and administration expenses increased to $3,680,336 from $2,090,543 in 2012. The majority of this increase was due to one-time expenses outlined below.

One-Time Expenses

During the year, there were a number of one-time expenses incurred. Most of these expenses were incurred in the form of professional fees associated with three large initiatives.

Expenses of $414,943 were incurred during the beginning of 2013 (2012- Nil) due to a transaction with a public company that did not materialize.

Expenses of $ 68,944 were incurred in early 2013 (2012- $252,309) during the changing of the Corporation's listing from the Canadian National Stock Exchange to the TSX Venture Exchange in early 2013.

Lastly, expenses of $ 148,122 were incurred in 2013 ($18,302) during the disposal of Mandal, the Corporation's former insurance subsidiary.

At this time, management does not foresee any significant one-time expenses during 2014, with the exception of recruitment fees for the Corporation's Chief Executive Officer and expenses associated with the relocation of the Corporation's corporate office.

Currency

The Mongolian Tögrög has fluctuated significantly over the past three years. The Mongolian Tögrög has depreciated 6.8%, 5.1%, 11.5% in 2011, 2012 and 2013 respectively versus the Canadian Dollar. 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. As at December 31, 2013 the Corporation recognized a significant foreign exchange adjustment loss of $3,612,981 to its investment property portfolio due to the 11.5% depreciation of the local currency during the year. Management would like to note that in general, most commercial properties 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.

Operating Profit (Loss) from Continuing Operations

The property business of MGG generated an Operating loss or EBITDA loss of $62,762 during 2013 year (2012 – loss of $341,756) and reported investment income of $237,672 during the year (2012- $282,114). This improvement is the result of increased rental revenue offset by an increase in property taxes and a decline in the local currency.

The Corporation's corporate overheads contributed to an Operating loss or EBITDA loss of $3,670,607, during 2013 (2012 – $2,080,919). The majority of this loss was incurred due to increased legal and audit fees and other expenses associated with the general corporate activity of the Corporation. In addition, the Corporation had substantial one–time expenses. These expenses are not expected to be recurring.

In total the Corporation's continuing operations reported an Operating loss or EBITDA loss of

$3,733,371 during 2013 (2012 – loss of $2,422,665) and generated interest income of $ 239,055 (2012 - $288,859) during the year.

Operating Profit from Discontinued Operations

MGG's insurance business generated an Operating loss or EBITDA loss of $711,146 during 2013 (2012 – loss of $1,625,616) and investment income of $543,045 during 2013 (2012 - $575,454). The majority of this improvement is due to an increase in net premiums earned and continuing investment income offset by an increase in claims reserves and sizable expenses associated with building the Mandal brand.

Net Income

For the year ended December 31, 2013, the Corporation incurred a net loss of $155,563 compared to a net loss of $6,073,750 for the year ended December 31, 2012. This improvement is attributed to the unrealized gain on fair value adjustment on investment properties of $3,845,521 during the year versus the unrealized loss of $2,697,212 from the prior year. The gain was offset by an increase in operating expenses incurred during the year of $5,598,618 (2012 –$4,142,165).

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.

Gain on Disposal of Discontinued Operations

On December 20th 2013, the Corporation sold its 100% stake in Mandal to UMC Capital LLC for proceeds of $3,669,951. Cash consideration of $458,101 was paid upon closing of the transaction, with the remaining $3,211,850 to be paid in instalments over an 18 month period. The Corporation realized a gain of $1,185,327 on the sale or $359,252 after currency translations.

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 year ended December 31, 2013 and 2012.

	For the year ending	
	31-Dec-13	**31-Dec-12**
Net change in cash related to:		
Operating	(1,730,356)	(3,815,647)
Investing	(1,012,196)	(7,305,785)
Financing	293,600	0
Effects of exchange rates on cash	(883,086)	(255,263)
Net change in cash during the period	**(3,332,038)**	**(11,376,695)**

Overall, cash outflows during 2013 were significantly lower than the previous year with net outflows in operating, investing, and financing each lower than the previous year. The changes in components of cash flows for the year ended December 31, 2013 compared to the year ended 2012 were the result of the following factors:

- Operating–Operating cash outflows for the year ended 2013 decreased mainly due to changes in non-working capital items.
- Investing–Investing cash outflows for the year ended 2013 decreased due to significantly lower net acquisition ($715,915) of properties in comparison to the previous year (C$6,896,289).
- Financing–Financing cash inflows for the year ended 2013 increased over 2012 as the Corporation generated cash through the exercise of 160,000 options (2012 – nil).

To date, Mongolia Growth Group Ltd has been able to meet all of its capital and other cash requirements from its internal sources of cash. As at December 31, 2013, the Corporation had approximately $5,370,215 in cash and cash equivalents along with $3,211,850 owed to it by UMC Capital LLC.

Total Assets

As of December 31, 2013, the Corporation had $ 9,416,810 in Current Assets primarily held in cash and cash equivalents (2012 –$15,943,758).

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 year by way of acquisitions and the appreciation of the portfolio during the year.

In 2013, assets classified as Investment Properties increased to $32,313,391 from $ 30,786,742 the year prior primarily due to an increase in unrealized fair value adjustment. Property and Equipment remained fairly stable as assets classified in this category are valued at their cost base.

Lastly, as part of the agreement to sell Mandal to UMC Capital LLC, proceeds of $3,211,850 are to be paid to the Corporation by UMC in installments over an 18 month period. These are classified on the balance sheet as Receivable from UMC, under Other Assets. There were no receivables in relation to this transaction in 2012, as Mandal was disposed of on December 20, 2013.

Total Financial Liabilities

As of December 31, 2013, the Corporation had current liabilities of $878,343, consisting of payables and accrued liabilities. In December 31, 2012, current liabilities were significantly higher at $3,389,025 as they also included insurance contract liabilities of $2,300,604, which are no longer on the Corporation's balance sheet for 2013 due to the disposal of the insurance business.

As of December 31, 2013, the Corporation had no long term debt outstanding, as such the only non-current liability on the balance sheet is deferred income taxes. Deferred tax liabilities were $1,909,117 in 2013 (2012 - $613,946).

Total Equity

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

Outstanding	**as at December 31, 2013**	**As of December 31, 2012**
Common shares	34,303,352	34,143,352
Options to buy common shares	1,957,000	1,782,000

Options Outstanding

At December 31, 2013, the Corporation had 1,324,500 options that were exercisable (December 31, 2012 – 358,000).

The Chart below shows the historical option grants and options outstanding as of December 31, 2013.

Option Price	Granted	Forfeited	Cancelled	Exercised	Total Options Outstanding	Options Exercisable	Options Non-Exercisable
1.64	100,000			-40,000	60,000	60,000	
1.75	300,000				300,000	300,000	
1.90	200,000			-120,000	80,000	80,000	
4.20	900,000	-233,000	-65,000		602,000	537,000	65,000
4.77	175,000	-25,000			150,000	130,000	20,000
4.25	150,000	-50,000			100,000	50,000	50,000
4.00	190,000				190,000	42,500	147,500
4.13	475,000				475,000	125,000	350,000
Total	**2,490,000**	**-308,000**	**-65,000**	**-160,000**	**1,957,000**	**1,324,500**	**632,500**

Acquisitions and Dispositions

During the year, the Corporation acquired 7 properties for a total of $2,328,453 of which $644,002 was classified as prepaid deposits as of December 31, 2013. During the same time, the Corporation disposed of 6 properties worth $921,126. These acquisitions and disposals are consistent with the Corporation's strategy of streamlining its investment property portfolio.

Off-Balance Sheet Items

As of December 31, 2013, the Corporation had no off-balance sheet items.

Events Subsequent to Year End

The Corporation purchased a large property (2,008 square meters) for a total cost of USD$5,852,000. This purchase will be funded through the exchange of 2 assets with a year end fair value of USD$1,202,000, and cash considerations of USD$4,650,000. The Corporation took possession of the new property on February 17, 2014. As of April 30, 2014, USD$2,650,000 has been paid to the seller; The remaining USD$2,000,000 is due in two further installments. As of April 30, 2014, USD$2,650,000 has been paid to the seller and the remaining USD$2,000,000 is due in two further installments. In order to fund the remaining cost of this purchase, the Corporation is in the process of securing USD$3,000,000 of financing through a commercial bank in Mongolia which bears interest between 12-15% and is reviewed annually by the bank. This loan is subject to an underwriting fee of USD$15,000 and a standby fee of 0.2% per month.

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. In addition, the Corporation also disposed of two properties at a fair value of $1,194,029 in the transaction mentioned above.

The Corporation hired a new CEO, Paul Byrne. The former CEO, Harris Kupperman was appointed as Executive Chairman. The CFO, Matthew Aiken, resigned and our Financial Controller, Talha Siddiqui was appointed as Interim CFO

Section 5 - Quarterly Information

Quarterly Results

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

	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012
Revenue *	427,836	452,185	421,599	425,753	271,113	455,234	458,215	397,898
Net income (loss) *	1,449,697	(825,693)	(1,127,918)	253,340	(3,810,138)	(235,006)	(575,889)	(310,942)
Income (loss) per common share*	0.04	(0.02)	(0.03)	0.01	(0.11)	(0.01)	(0.02)	(0.01)
Total Assets	47,291,018	47,988,406	52,443,237	52,859,111	51,306,531	52,048,976	56,058,108	55,783,296
Weighted Average Shares	34,303,352	34,246,026	34,245,230	34,170,019	34,143,352	34,143,352	34,143,352	34,143,352
Ending Shares	34,303,352	34,303,352	34,303,352	34,173,352	34,143,352	34,143,352	34,143,352	34,143,352

* These numbers have been restated to reflect the continuing operations of the Corporation.

Property

During the fourth quarter, MGG's real estate subsidiary earned rental income of $397,894, compared to rental income of $397,810 during the same quarter of the previous year. While rental income increased a considerable amount since the previous year in local currency terms, this increase was offset by a 11.5% decrease in the Mongolian Tögrög versus the Canadian Dollar during the year.

During the fourth quarter of 2013, this subsidiary also earned net investment income of $36,736 (Q4 2012 - $124,477) on its investment portfolio and $237,672 for the year ending December 31, 2013. The decrease in net investment income is attributable to a decrease in investment and marketable securities as the Corporation continues to deploy its cash into building its property portfolio.

MGG's investment property portfolio increased to $32,313,391 during the year due to an unrealized fair value Adjustment of $3,845,521. Management anticipates that the Corporation's investment portfolio will continue to increase in the future.

Discontinued Operations

For the period from January 1, 2013 up to December 20, 2013 (the date at which the Corporation disposed of Mandal General Insurance LLC, "Mandal"), the insurance subsidiary earned net premiums of $1,873,666 as compared to $628,424 for the year ending December 31, 2012. Mandal earned net premiums of $314,070 for the period from October 1, 2013 to December 20, 2013 as compared to $330,734 earned in the fourth quarter of 2012. The large increase in the Mandal's net earned premium mainly relates to the fact that it was in the early stages of operations in 2012 as it had just begun to write policies in late 2011. This subsidiary has also earned net investment income of $112,437 for the period from October 1, 2013, to December 20, as compared to $140,712 for the fourth quarter in 2012.

Corporate

Quarterly expenses related to corporate operations totaled $1,025,256 (Q4 2012 - $738,228). The increase over the 4th quarter of 2012, was primarily due to compensation of $300,000 awarded to the Board of Directors in the form of options and cash. No compensation was awarded to the Directors in 2012. Other significant expenses incurred during the quarter were legal and professional of $334,960 (2012- $321,435), audit fees of $111,738 (2012 - $204,517) and salaries of $94,617 (2012 - $77,476).

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 of 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. At December 31, 2013, the unrealized gain on fair value adjustment was a gain of $3,845,521(loss of $2,697,212 – 2012). During the first quarter of 2013, there was a fair value adjustment gain of $1,136,125 relating to a property that was not available for use at year end and thus was recorded at the lower of cost and market, but adjusted during the first quarter of 2013 as the property became available for use. During the second and third quarters of 2013, there were no fair value adjustments done as it was determined by Management that the prices of the Corporation's property portfolio were relatively stable. The remaining $2,709,396 gain was adjusted during the 4th quarter of 2013.

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 year ending December 31, 2013, the cost of the share based payments (excluding the expense attributed to Mandal) totaled $931,783 (2012 - $1,114,552).

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 December 31, 2013, the Corporation has identified 16 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 year, most of the Corporation's credit risk consisted of institutional deposits. The majority of the funds invested are held in reputable Canadian or Mongolian banks. The Corporation is in the early stages of development and is continually improving its policies regarding monitoring its credit risk.

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.

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 as at December 31, 2013.

As at December 31, 2013, MGG had working capital of $8,538,167 (2012- $12,554,733) comprised of cash and cash equivalents, investments and marketable securities, other assets, net of trade and accrued liabilities, income taxes payable. Management considers the funds on hand to be sufficient to meet its ongoing obligations.

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.

While inflation levels during the last year are no longer above the 14% levels as they were during 2012, during the past year, inflation has remained at an elevated level compared to many mature economies. As reported by the National Statistics Office, year over year inflation was 12.5% in December, 12% in November, 10.8% in October and 9.9% in September. The Bank of Mongolia is working hard to ensure stability. At the end of the year the Government has agreed to reduce spending to keep government budgets within the cap set by the Fiscal Stability Law.

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.

Beginning in 2011, the Corporation purchased apartment units in a knowingly condemned building with the intent that through control of the homeowner's association the Corporation can procure a long-term lease on the land underlying the building. The process of exerting control over a homeowner's association in order to develop the underlying land plot is an extensive legal process, is complicated, lacks precedent and is a generally risky proposition. The Corporation currently owns 50 of the 51 apartments in the building, has an agreement with the last owner to exchange his unit for space in any future building and has applied to the city for the respective land use permissions.

Further information related to Mongolia Growth Group Ltd. and the risks and uncertainties of MGG is filed on the System for Electronic Document Analysis and Retrieval ("SEDAR") and can be reviewed at www.sedar.com.

Financial Instruments

The Corporation's financial instruments consist of cash and cash equivalents, investments and marketable securities, accounts receivable and trade and accrued payables. 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 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 IFRS.

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 December 31, 2013 annual 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

IFRS 9 – Financial Instruments introduces new requirements for classifying and measuring financial assets and financial liabilities. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 also introduced additional changes related to financial liabilities.

The IASB also recently introduced amendments to IFRS related to hedge accounting. The Standard is not applicable until annual periods beginning on or after January 1, 2015, but is available for early adoption.
In November 2013, the IASB issued three amendments affecting IFRS 9, IAS 7 and IAS 39. The first amendment sets out new hedge accounting requirements. The second amendment allows entities to apply the accounting for changes from own credit risk in isolation without applying the other requirements of IFRS 9. The third amendment removes the mandatory effective date of IFRS 9 from January 1, 2015 to a new date that will be determined when IFRS 9 is closer to completion.

Additional Information

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