

Mongolia Growth Group Ltd.

Condensed Interim Consolidated Financial
Statements
(Unaudited)
For the three and six months ended
June 30, 2019 and 2018
(Expressed in Canadian dollars)

Mongolia Growth Group Ltd.

Condensed Interim Consolidated Statements of Financial Position (Unaudited)

As at June 30, 2019

(expressed in Canadian dollars)

	June 30, 2019 \$	December 31, 2018 \$
Assets		
Current assets		
Cash (note 5)	210,644	745,411
Marketable securities (note 6)	4,776,006	3,946,202
Other assets (note 7)	111,314	117,556
	<u>5,097,964</u>	<u>4,809,169</u>
Non-current assets		
Investment properties (note 8)	23,343,439	24,415,860
Property and equipment (note 9)	1,679,653	1,792,794
	<u>25,023,092</u>	<u>26,208,654</u>
Total assets	<u>30,121,056</u>	<u>31,017,823</u>
Liabilities		
Current liabilities		
Trade payables and accrued liabilities	440,031	542,913
Income taxes payable	8,538	9,210
Short term debt (note 10)	654,650	680,902
	<u>1,103,219</u>	<u>1,233,025</u>
Non-current liabilities		
Deferred income tax liability	705,100	737,493
	<u>705,100</u>	<u>737,493</u>
Total liabilities	<u>1,808,319</u>	<u>1,970,518</u>
Equity		
Share capital (note 11)	53,546,527	53,625,230
Contributed surplus	6,849,976	6,849,976
Accumulated other comprehensive loss	(14,324,785)	(13,226,649)
Deficit	(17,758,981)	(18,201,252)
	<u>28,312,737</u>	<u>29,047,305</u>
Total equity	<u>28,312,737</u>	<u>29,047,305</u>
Total equity and liabilities	<u>30,121,056</u>	<u>31,017,823</u>

Commitment and contingencies (note 14)

Approved by the Board of Directors

"Harris Kupperman"

Director

"Nick Cousyn"

Director

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

Mongolia Growth Group Ltd.

Condensed Interim Consolidated Statement of Operations

(Unaudited)

For the three and six month period ended June 30

(expressed in Canadian dollars)

	For the three months ended June 30		For the six months ended June 30	
	2019	2018	2019	2018
	\$	\$	\$	\$
Revenue				
Rental income	333,657	347,058	673,986	693,535
Other revenue	38,510	9,993	59,045	20,264
Total revenue	372,167	357,051	733,031	713,799
Expenses				
Salaries and wages	173,244	124,886	331,398	252,296
Other expenses (note 17)	377,226	317,950	690,990	624,242
Depreciation (note 9)	19,085	19,524	36,875	37,896
Total expenses	569,555	462,360	1,059,263	914,434
Interest income	111	6,977	2,321	9,560
Unrealized gain (loss) on short term investments (note 6)	(58,409)	37,004	302,381	(53,443)
Realized gain on short term investments (note 6)	302,210	241,399	303,886	215,784
Foreign currency gain (loss)	162,700	(25,597)	220,272	(43,615)
Finance costs	(22,225)	(21,537)	(43,808)	(41,037)
Total other income	384,387	238,246	785,052	87,249
Net income (loss) before income taxes	186,999	132,937	458,820	(113,386)
Income taxes	(8,762)	(4,266)	(16,549)	(30,898)
Net income (loss) for the period	178,237	128,671	442,271	(144,284)
Net income (loss) per share (note 11)				
Basic				
From net loss for the period	0.01	0.00	0.01	(0.00)
Diluted				
From net loss for the period	0.01	0.00	0.01	(0.00)

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

Mongolia Growth Group Ltd.

Condensed Interim Consolidated Statements of Comprehensive Loss

(Unaudited)

For the three and six month period ended June 30

(expressed in Canadian dollars)

	For the three months ended June 30		For the six months ended June 30	
	2019	2018	2019	2018
	\$	\$	\$	\$
Net income (loss) for the period	178,237	128,671	442,271	(144,284)
Other comprehensive income (loss)				
Items that may be subsequently reclassified to income or loss				
Unrealized gains (losses) on translation of financial statement operations with Mongolian Tögrög functional currency to Canadian dollar reporting currency	(862,766)	(76,247)	(1,098,136)	917,574
Total comprehensive income (loss)	(684,529)	52,424	(655,865)	773,290

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

Mongolia Growth Group Ltd.

Condensed Interim Consolidated Statement of Changes in Equity

(Unaudited)

For the three and six month period ended June 30

(expressed in Canadian dollars)

	Share capital \$	Contributed surplus \$	Accumulated other comprehensive loss \$	Deficit \$	Total \$
Balance at January 1, 2018	53,751,473	6,849,976	(13,086,274)	(19,758,595)	27,756,580
Net loss for the period	-	-	-	(144,284)	(144,284)
Other comprehensive income	-	-	917,574	-	917,574
	53,751,473	6,849,976	(12,168,700)	(19,902,879)	28,592,870
Share repurchase	(55,296)	-	-	-	(55,296)
Balance at June 30, 2018	53,696,177	6,849,976	(12,168,700)	(19,902,879)	28,474,574

	Share capital \$	Contributed surplus \$	Accumulated other comprehensive loss \$	Deficit \$	Total \$
Balance at January 1, 2019	53,625,230	6,849,976	(13,226,649)	(18,201,252)	29,047,305
Net income for the period	-	-	-	442,271	442,271
Other comprehensive loss	-	-	(1,098,136)	-	(1,098,136)
	53,625,230	6,849,976	(14,324,785)	(17,758,981)	28,391,440
Share repurchase	(78,703)	-	-	-	(78,703)
Balance at June 30, 2019	53,546,527	6,849,976	(14,324,785)	(17,758,981)	28,312,737

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

Mongolia Growth Group Ltd.

Condensed Interim Consolidated Statements of Cash Flows

(Unaudited)

For the three and six month period ended June 30

(expressed in Canadian dollars)

	June 30, 2019 \$	June 30, 2018 \$
Cash provided by (used in)		
Operating activities		
Net income (loss) for the period	442,271	(144,284)
Items not affecting cash		
Depreciation (note 9)	36,875	37,896
Deferred taxes	(32,393)	18,790
Realized loss on disposal of property and equipment	-	511
Unrealized loss (gain) on marketable securities (note 6)	(302,381)	53,443
Realized gain on marketable securities	(303,886)	(215,784)
Realized loss (gain) on foreign exchange in marketable securities account	(223,536)	41,023
	(383,050)	(208,405)
Net change in non-cash working capital balances (note 15)	(54,698)	(81,332)
	(437,748)	(289,737)
Financing activities		
Share repurchase (note 11)	(78,703)	(55,296)
	(78,703)	(55,296)
Investing activities		
Net purchase of marketable securities (note 6)	(276,973)	(1,167,537)
Increase in margin borrowing for marketable securities (note 6)	276,972	280,174
Acquisition of property and equipment (note 9)	(1,590)	-
	(1,591)	(887,363)
Effect of exchange rates on cash	(16,725)	57,690
Decrease in cash	(534,767)	(1,174,706)
Cash - Beginning of period	745,411	1,640,771
Cash - End of period	210,644	466,065

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

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the six month period ended June 30

(expressed in Canadian dollars)

1 Corporate Information

Mongolia Growth Group Ltd. (MGG or the Company) was incorporated in Alberta on December 17, 2007, and is a real estate investment and development Company operating through the ownership of commercial investment property assets in Ulaanbaatar, Mongolia.

The Company's common shares were previously listed on the Canadian Securities Exchange (CSE). On January 9, 2013, the Company filed an application for the de-listing of the common shares from the CSE and filed an application for the listing of common shares on the TSX Venture Exchange (TSXV). The Company is now listed on the TSXV, having the symbol YAK.

MGG has one wholly-owned subsidiary at March 31, 2019, Mongolia (Barbados) Corp. Mongolia (Barbados) Corp. owns the wholly-owned subsidiaries MGG Properties LLC and Big Sky Capital LLC. Big Sky Capital LLC owns the wholly-owned subsidiaries, Carrollton LLC, Biggie Industries LLC, Orpheus LLC, Endymion LLC, Zulu LLC, Crescent City LLC, and Oceanus LLC (together "the investment property operations"). The investment property operations are conducted in Big Sky Capital LLC and its subsidiaries. No active business operations occur in Oceanus LLC at this time. MGG's marketable securities are currently held in a brokerage account owned by Mongolia (Barbados) Corp.

The Company is registered in Alberta, Canada, with its Head Office at its registered and records address at Centennial Place, East Tower, 1900, 520 - 3rd Avenue S.W. Calgary, Alberta, Canada T2P 0R3. The Company's Canadian headquarters are located at 100 King Street West, Suite 5600, Toronto, Ontario, M5X 1C9, Canada. The Company's Mongolian investment property operations are based out of its office located at the MGG Properties Building on Seoul St. in Ulaanbaatar, Mongolia.

At June 30, 2019, the Company is organized into two segments based on the business operations:

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

2 Basis of presentation

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting ("IAS 34"). These condensed interim consolidated financial statements are compliant with IAS 34 and do not include all of the information required for full annual financial statements.

These condensed interim consolidated financial statements should be read in conjunction with the Company's annual financial statements for the year ending December 2018. The significant accounting policies used in the preparation of these consolidated financial statements are summarized in note 4.

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

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the six month period ended June 30

(expressed in Canadian dollars)

2 Basis of presentation (continued)

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

These consolidated financial statements were approved by the Board of Directors of the Company for issue on July 30, 2019.

3 Current Accounting Policy Changes

The Company has adopted the following revised standards, along with any consequential amendments, effective January 1, 2019.

IFRS 16 Leases

IFRS 16 replaces IAS 17 Leases and related interpretations. The core principle is that a lessee recognize assets and liabilities for all leases with a lease term of more than 12 months. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. The new standard is intended to provide a faithful representation of leasing transactions, in particular those that do not currently require the lessees to recognize an asset and liability arising from an operating lease. IFRS 16 is effective for annual periods beginning on January 1, 2019.

To prepare for this standard the Company reviewed its existing agreements to determine whether the accounting for any leases would be impacted from adopting IFRS 16. The Company is primarily party to agreements in which it is the lessor, for which the accounting has remained substantially unchanged. There was no impact on the Company's consolidation financial statements from adoption of IFRS 16.

IFRIC 23 - Uncertainty over Income Tax Treatments

New standard to clarify the accounting for uncertainties in income taxes. The interpretation provides guidance and clarifies the application of the recognition and measurement criteria in IAS 12 "Income Taxes" when there is uncertainty over income tax treatments. The interpretation is effective for annual periods beginning on or after January 1, 2019. There was no impact on the Company's consolidation financial statements from adoption of IFRIC 23.

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the six month period ended June 30

(expressed in Canadian dollars)

4 Significant accounting estimates and judgements

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

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

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

- Fair value of investment properties - The estimate of fair value of investment properties is the most critical accounting estimate to the Company. An external appraiser estimates the fair value of the majority of investment properties by dollar value annually. The remaining balance of investment properties was valued internally. 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. This fair value assumes that the Company is in possession of the property's land and property titles where applicable. Management judges that the Company has the appropriate titles for each of the properties classified as Investment Properties. Properties whereby the Company is not currently in possession of the appropriate titles but does not expect there to be issues in receiving the titles are classified as prepaid deposits on investment properties. Properties whereby Management judges that the Company's titles are at risk, have been impaired to reflect the level of risk estimated by Management.
- The Company operates in the emerging real estate market of Mongolia, which given its current economic, political and industry conditions, gives rise to an increased inherent risk given the lack of reliable and comparable market information. The significant estimates underlying the fair value determination are disclosed in note 8 of the annual financial statements for the year ended December 31, 2018. Changes in assumptions about these factors could materially affect the carrying value of investment properties.
- Valuation of marketable securities and investments - The Company recognizes marketable securities and investments at fair value. Fair value is determined on the basis of market prices from independent sources, if available. If there is no market price, then the fair value is determined by using valuation models with inputs derived from observable market data where possible but where observable data is not available, judgment is required to establish fair values.

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the six month period ended June 30

(expressed in Canadian dollars)

4 Significant accounting estimates and judgements (continued)

- Operating environment of the Company - Mongolia displays many characteristics of an emerging market including relatively high inflation and interest rates. The tax and customs legislation in Mongolia is subject to varying interpretations and frequent changes.
- The future economic performance of Mongolia is tied to the continuing demand from China and global prices for commodities as well as being dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government of Mongolia together with tax, legal, regulatory and political developments. Management is unable to predict all developments that could have an impact on the Mongolian economy and consequently what effect, if any, they could have on the future financial position of the Company.

Significant judgements made in the preparation of these consolidated financial statements include the following:

- Judgement is required in determining whether an asset meets the criteria for classification as assets held for sale and or as discontinued operations in the consolidated financial statements. Criteria considered by management include the existence of and commitment to a plan to dispose of the assets, the expected selling price of the assets, the probability of the sale being completed within an expected time frame of one year and the period of time any amounts have been classified within assets held for sale. The Company reviews the criteria for assets held for sale each quarter and reclassifies such assets to or from this financial position category as appropriate. On completion of the sale, management exercises judgement as to whether the sale qualifies as a discontinued operation.
- As at June 30, 2019 and 2018, Management has made the judgment that none of the Company's assets meet the criteria to be classified as held for sale. While this is due to a number of factors, a primary reason is that due to the conditions of the Mongolian economy and the lack of liquidity in the market, management was unable to conclude that the sale of any significant size asset could be considered highly probable.
- Judgement is required in determining whether the Company's Investment property and land use rights titles are at risk. As at June 30, 2019 and 2018, Management has made the judgment that Investment Properties whereby the land title has recently expired but is expected to be renewed in the near future should continue to be classified as Investment Properties. Newly acquired properties whereby the Company is not currently in possession of the appropriate titles but does not expect there to be issues in receiving the titles, are classified as prepaid deposits on investment properties. Properties whereby Management judges that the Company's titles are at risk, have been impaired to reflect the level of risk estimated by Management.

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the six month period ended June 30

(expressed in Canadian dollars)

5 Cash

Cash at banks earns interest at floating rates based on daily bank deposit rates. The component of cash and cash accounts currently consists only of cash amounts held in banks or on hand.

The following table discloses the geographical location of cash:

	June 30, 2019	December 31, 2018
	\$	\$
Barbados	1,479	1,483
Canada	57,951	458,787
Mongolia	151,214	285,141
	210,644	745,411

Cash is not collateralized, the carrying amount of cash approximates fair value.

6 Marketable Securities

	June 30, 2019	December 31, 2018
	\$	\$
Common shares of public companies:		
Fair value - beginning of the year	3,946,202	2,816,624
Net purchases (sales)	276,973	1,109,237
Foreign exchange (loss) gain	223,536	(147,335)
Unrealized gain	302,381	(608,297)
Realized gain	303,886	995,716
Change in margin borrowings	(276,972)	(219,743)
Fair value - end of the period	4,776,006	3,946,202

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the six month period ended June 30

(expressed in Canadian dollars)

7 Other assets

	June 30, 2019 \$	December 31, 2018 \$
Accounts receivable	79,943	92,280
less: Allowance for doubtful accounts	(13,200)	(13,806)
Prepaid expenses	44,571	39,082
	111,314	117,556

8 Investment properties

	June 30, 2019 \$	December 31, 2018 \$
Balance - beginning of period	24,415,860	22,887,521
Additions		
Transfer from other asset	-	295,960
Disposals	-	(509,363)
Fair value adjustment	-	1,892,577
Foreign exchange adjustments	(1,072,421)	(150,835)
Balance - end of period	23,343,439	24,415,860

During the period ended June 30, 2019, the Company did not acquire nor sell any properties (Q2 2018 – nil).

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the six month period ended June 30

(expressed in Canadian dollars)

9 Property and equipment

				2018
	Furniture and fixtures \$	Equipment \$	Buildings \$	Total \$
December 31				
Cost	73,702	135,758	2,110,307	2,319,767
Accumulated depreciation	38,507	101,203	387,263	526,973
Net book value	35,195	34,555	1,723,044	1,792,794
				2019
	Furniture and fixtures \$	Equipment \$	Buildings \$	Total \$
Cost				
At January 1	73,702	135,758	2,110,307	2,319,767
Additions	-	1,590	-	1,590
Disposals	-	(126)	-	(126)
Foreign exchange adjustment	(1,652)	(3,216)	(96,532)	(101,400)
At June 30	72,050	134,006	2,013,775	2,219,831
				2019
	Furniture and fixtures \$	Equipment \$	Buildings \$	Total \$
Accumulated depreciation				
At January 1	38,507	101,203	387,263	526,973
Depreciation	3,517	6,950	26,079	36,546
Disposals	-	(126)	-	(126)
Foreign exchange adjustment	(191)	(1,831)	(21,193)	(23,215)
At June 30	41,833	106,196	392,149	540,178
Net book value at June 30	30,217	27,810	1,621,626	1,679,653

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the six month period ended June 30

(expressed in Canadian dollars)

10 Short term debt

	2019 \$	2018 \$
Current	654,650	680,902
	654,650	680,902

In December 2017, the Company obtained a two year CDN\$1,300,200 (US\$1,000,000) credit facility through a commercial bank in Mongolia. The loan is secured by various property assets and guarantees from Mongolian subsidiaries. The loan is to be repaid in December 2019. During the second quarter of 2019, the Company's bank was unable to fulfil a request by the Company to further drawdown on this previously approved credit facility due to increased regulatory scrutiny of the bank by the Mongolian central bank. The Company is currently working on transferring this credit facility to another local bank.

11 Share capital and contributed surplus

Common shares

The Company is authorized to issue an unlimited number of common and preferred shares.

The issued and outstanding common shares are as follows:

	Number of shares	Amount \$
Balance, December 31, 2018	33,243,999	53,625,230
Shares re-purchased	-	(78,703)
Treasury stock cancelled	(289,500)	-
Balance June 30, 2019	32,954,499	53,546,527

As at June 30, 2019, the Company held 49,500 (Q4 2018-107,000) shares in Treasury with a value of \$16,526 to be cancelled during the third quarter of 2019.

Stock options

The Company has established a share based payment plan (the "Plan") to encourage ownership of its shares by key management personnel (directors and executive management), employees and other key service providers, and to provide compensation for certain services. The Plan provides for the issuance of stock options in an aggregate number of up to 10% of the Company's issued and outstanding shares, calculated from time to time and are exercisable within a maximum of ten (10) years. The vesting period for all options is at the discretion of the directors.

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the six month period ended June 30

(expressed in Canadian dollars)

11 Share capital and contributed surplus (continued)

The exercise price will be set by the directors at the time of grant and cannot be less than the discounted market price of the Company's common shares. At June 30, 2019, the Company had 1,575,450 (December 2018 – 221,400) common shares available for the granting of future options under the new plan. The Company does not have any cash-settled transactions. Full details of the Company's option plan can be found in "Schedule B" of the Management Information Circular on the Company's website and filed on Sedar.

A summary of the Company's options as at June 30, 2019 and December 31, 2018 and changes during the periods then ended follows:

	June 30, 2019	Weighted average exercise price \$	December 31, 2018	Weighted average exercise price \$
Balance, beginning of period	3,103,000	1.13	3,103,000	1.13
Options expired	(1,323,000)	1.58	-	-
Options cancelled	-	-	-	-
Options granted	-	-	-	-
Options forfeited	(60,000)	0.72	-	-
Options exercised	-	-	-	-
Balance, end of the period	<u>1,720,000</u>	<u>0.79</u>	<u>3,103,000</u>	<u>1.13</u>
Exercisable	<u>1,720,000</u>	<u>0.79</u>	<u>3,103,000</u>	<u>1.13</u>
Weighted remaining average life (years)	<u>-</u>	<u>0.71</u>	<u>-</u>	<u>0.77</u>

Earnings per share

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

	June 30, 2019 \$	December 31, 2018 \$
Weighted average number of shares – basic	33,104,645	33,352,911
Effect of dilutive stock options	<u>-</u>	<u>-</u>
Weighted average number of shares – diluted	<u>33,104,645</u>	<u>33,352,911</u>

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the six month period ended June 30

(expressed in Canadian dollars)

11 Share capital and contributed surplus (continued)

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

There have been no significant capital transactions from the reporting date to the date of this filing which have had a material impact on earnings per share.

12 Management of capital structure

The Company's objective when managing capital is to ensure the Company is capitalized in a manner which provides a strong financial position for its shareholders.

The Company's capital structure includes equity and working capital. In managing its capital structure, the Company considers future investment and acquisition opportunities, potential credit available and potential issuances of new equity. The Company's objective is to maintain a flexible capital structure that will allow it to execute its stated business. Upon acquiring investment properties and operating businesses, the Company will strive to balance its proportion of debt and equity within its capital structure in accordance with the needs of the continuing business. The Company may, from time to time, issue shares and adjust its spending to manage current and projected proportions as deemed appropriate.

	June 30, 2019 \$	December 31, 2018 \$
Current assets	5,097,964	4,809,169
Current liabilities	(1,103,219)	(1,233,025)
Working capital	3,994,745	3,576,144

The method used by the Company to monitor its capital is based on an assessment of the Company's working capital position relative to its projected obligations. At June 30, 2019, the Company's working capital was \$3,994,745 (December 31, 2018 - \$3,576,144).

13 Related party transactions

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

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the six month period ended June 30

(expressed in Canadian dollars)

13 Related party transactions (continued)

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

	Six months ending June 30, 2019 \$	Six months ending June 30, 2018 \$
Salaries and other short-term employee benefits	239,543	200,423
Director fees	20,000	40,000
	259,543	240,423

Starting in 2019, certain entities affiliated with Harris Kupperman, the Corporation's Chairman and CEO have agreed to split certain expenses related to the Corporation's investments in public securities. The Corporation expects that this will reduce MGG's investment related expenses on an ongoing basis.

14 Commitments and contingencies

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

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

15 Supplementary cash flow information

	Six months ending June 30, 2019 \$	Six months ending June 30, 2018 \$
Changes in non-working capital arising from		
Other assets	1,208	19,279
Trade payables and accrued liabilities	(87,998)	(72,194)
Income tax payable	32,092	(28,417)
Changes in non-cash working capital from operating activities	(54,698)	(81,332)

Income taxes paid during the quarter were \$7,769 (Q2-2018 \$9,137). Interest paid during the quarter was \$22,225 (Q2-2018 \$21,537).

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the six month period ended June 30

(expressed in Canadian dollars)

16 Segment information

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

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

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

	Three months ended June 30, 2019		
	Investment property	Corporate	Total
	\$	\$	\$
Rental income	333,657	-	333,657
Property operating expenses	(284,731)	-	(284,731)
Unrealized mark to market gain	-	(58,409)	(58,409)
Realized gain on short term investments	-	302,210	302,210
Other expenses	(46,920)	(218,819)	(265,739)
Depreciation	(19,085)	-	(19,085)
Net investment income	47	64	111
Other revenue	38,510	-	38,510
Foreign currency gain	3,446	159,254	162,700
Finance cost	(22,225)	-	(22,225)
Net income before income taxes	2,699	184,300	186,999

	Six months ended June 30, 2019		
	Investment property	Corporate	Total
	\$	\$	\$
Rental income	673,986	-	673,986
Property operating expenses	(523,643)	-	(523,643)
Unrealized mark to market gain	-	302,381	302,381
Realized gain on short term investments	-	303,886	303,886
Other expenses	(79,992)	(418,753)	(498,745)
Depreciation	(36,875)	-	(36,875)
Net investment income	2,255	66	2,321
Other revenue	59,045	-	59,045
Foreign currency gain	6,072	214,200	220,272
Finance cost	(43,808)	-	(43,808)
Net income before income taxes	57,040	401,780	458,820

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the six month period ended June 30

(expressed in Canadian dollars)

16 Segment information (continued)

	Three months ended June 30, 2018		
	Investment property \$	Corporate \$	Total \$
Rental income	347,058	-	347,058
Property operating expenses	(198,084)	-	(198,084)
Unrealized mark to market gain	-	37,004	37,004
Realized gain on short term investments	-	241,399	241,399
Other expenses	(38,065)	(206,687)	(244,752)
Depreciation	(19,524)	-	(19,524)
Net investment income	6,958	19	6,977
Other revenue	9,993	-	9,993
Foreign currency loss	(8,485)	(17,112)	(25,597)
Finance cost	(21,537)	-	(21,537)
Net income before income taxes	78,314	54,623	132,937

	Six months ended June 30, 2018		
	Investment property \$	Corporate \$	Total \$
Rental income	693,535	-	693,535
Property operating expenses	(401,951)	-	(401,951)
Unrealized mark to market loss	-	(53,443)	(53,443)
Other expenses	(67,396)	(407,191)	(474,587)
Depreciation	(37,896)	-	(37,896)
Net investment income	9,511	49	9,560
Other revenue	20,264	-	20,264
Realized loss on marketable securities	-	215,784	215,784
Foreign currency gain (loss)	(5,887)	(37,728)	(43,615)
Finance cost	(41,037)	-	(41,037)
Net income (loss) before income taxes	169,143	(282,529)	(113,386)

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the six month period ended June 30

(expressed in Canadian dollars)

16 Segment information (continued)

	Balance as of June 30, 2019		
	Investment Property \$	Corporate \$	Total \$
Total assets	25,254,560	4,866,496	30,121,056
Property and equipment	1,679,653	-	1,679,653
Investment properties	23,343,439	-	23,343,439
Expenditures			
Property and equipment	1,590	-	1,590
Investment properties	-	-	-

	Balance as of June 30, 2018		
	Investment Property \$	Corporate \$	Total \$
Total assets	26,127,925	3,983,990	30,111,915
Property and equipment	1,679,087	-	1,679,087
Investment properties	24,039,467	-	24,039,467
Expenditures			
Property and equipment	-	-	-
Investment properties	-	-	-

	Revenue		Property and equipment		Investment property	
	June 30, 2019 \$	June 30, 2018 \$	June 30, 2019 \$	June 30, 2018 \$	June 30, 2019 \$	June 30, 2018 \$
Canada	-	-	-	-	-	-
Mongolia	733,031	713,799	1,679,653	1,679,087	23,343,439	24,039,467
	733,031	713,799	1,679,653	1,679,087	23,343,439	24,039,467

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the six month period ended June 30

(expressed in Canadian dollars)

17 Other expenses

For the three months ended June 30

	2019	2018
	\$	\$
Investor relations	6,300	7,564
Investment research	12,993	-
Repairs and maintenance	42,246	12,820
Office	17,881	29,938
Professional fees	168,641	148,697
Travel	21,531	15,686
Advertising	8,184	1,588
Land and property tax	24,066	26,751
Insurance	16,327	12,634
Utilities	34,940	34,008
Other	24,117	28,264
	377,226	317,950

For the six months ended June 30

	2019	2018
	\$	\$
Investor relations	12,600	18,214
Investment research	12,993	-
Repairs and maintenance	51,358	23,740
Office	41,234	52,877
Professional fees	326,243	288,772
Travel	33,944	44,342
Advertising	13,446	2,892
Land and property tax	48,501	52,846
Insurance	32,151	25,603
Utilities	74,471	72,873
Other	44,049	42,083
	690,990	624,242