

Mongolia Growth Group Ltd.

Condensed Interim Consolidated Financial
Statements

(Unaudited)

For the three and nine months ended

September 30, 2015 and 2014

(expressed in Canadian dollars)

Mongolia Growth Group Ltd.

Condensed Interim Consolidated Statements of Financial Position (Unaudited)

(expressed in Canadian dollars)

	September 30, 2015 \$	December 31, 2014 \$
Assets		
Current assets		
Cash and cash equivalents	1,198,439	1,645,421
Other assets	344,521	1,027,703
	<u>1,542,960</u>	<u>2,673,124</u>
Non-current assets		
Investment properties (note 6)	49,844,568	48,458,517
Property and equipment (note 7)	3,107,933	2,974,950
	<u>54,495,461</u>	<u>54,106,591</u>
Total assets		
Liabilities		
Current liabilities		
Trade payables and accrued liabilities	680,916	1,925,655
Income taxes payable	195,812	151,346
	<u>876,728</u>	<u>2,077,001</u>
Non-current liabilities		
Deferred income tax liability	1,018,861	1,099,141
	<u>1,895,589</u>	<u>3,176,142</u>
Total liabilities		
Equity (note 8)		
Share capital	54,369,332	53,789,459
Contributed surplus	7,068,267	5,815,656
Accumulated other comprehensive loss	(3,342,624)	(7,607,039)
Deficit	(5,495,103)	(1,067,627)
	<u>52,599,872</u>	<u>50,930,449</u>
Total equity		
	<u>54,495,461</u>	<u>54,106,591</u>
Total equity and liabilities		

Approved by the Board of Directors

Robert Scott Director Harris Kupperman Director

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

Mongolia Growth Group Ltd.

Condensed Interim Consolidated Statement of Operations

(Unaudited)

For the three and nine month period ended September 30 2015 and 2014

(expressed in Canadian dollars)

	For the three months ended September 30		For the nine months ended September 30	
	2015 \$	2014 \$	2015 \$	2014 \$
Revenue				
Rental income	478,747	420,621	1,510,674	1,364,896
Gain/(Loss) on disposal of investment property	(154,152)	4,166	(138,977)	226,229
Other revenue	16,276	-	48,862	11,079
Total revenue	<u>340,871</u>	<u>424,787</u>	<u>1,420,559</u>	<u>1,602,204</u>
Expenses				
Salaries and wages	263,692	347,683	799,122	972,251
Other expenses (note 13)	384,478	639,100	1,309,762	2,294,457
Development expense	5,292	-	165,491	-
Share based payment	146,582	353,961	1,306,879	1,307,005
Depreciation	33,576	30,553	102,592	92,624
Total expenses	<u>833,620</u>	<u>1,371,297</u>	<u>3,683,846</u>	<u>4,666,337</u>
Net investment income	3,596	38,771	15,621	79,011
Unrealized gain (loss) on fair value adjustment on investment properties (note 6)	(2,271,061)	-	(2,271,061)	7,936,746
Impairment of other asset	-	402,339	-	402,339
Finance expense	-	179,041	-	192,822
Net income (loss) before income taxes	(2,760,214)	(1,489,119)	(4,518,727)	4,356,463
Recovery of (provision for) income taxes	58,724	(8,350)	91,251	(610,107)
Net income (loss) for the period	<u>(2,701,490)</u>	<u>(1,497,469)</u>	<u>(4,427,476)</u>	<u>3,746,356</u>
Net Income (loss) per share				
Basic				
From net income (loss) for the period	(0.08)	(0.04)	(0.13)	0.11
Diluted				
From net income (loss) for the period	(0.08)	(0.04)	(0.13)	0.10

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

Mongolia Growth Group Ltd.

Condensed Interim Consolidated Statement of Comprehensive Income (Loss)

(Unaudited)

For the three and nine month period ended September 30 2015 and 2014

(expressed in Canadian dollars)

	For the three months ended September 30		For the nine months ended September 30	
	2015	2014	2015	2014
	\$	\$	\$	\$
Net income (loss) for the period	(2,701,490)	(1,497,469)	(4,427,476)	3,746,356
Other comprehensive income (loss)				
Items that may be subsequently reclassified to income or loss				
Unrealized gain (loss) on translation of financial statement operations with Mongolian MNT functional currency to Canadian dollar reporting currency	2,346,072	2,003,584	4,264,415	(1,820,030)
Total comprehensive income (loss)	<u>(355,418)</u>	<u>506,115</u>	<u>(163,061)</u>	<u>1,926,326</u>

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

Mongolia Growth Group Ltd.

Condensed Interim Consolidated Statement of Changes in Equity

(Unaudited)

For the nine month period ended September 30 2015 and 2014

(expressed in Canadian dollars)

	Share capital \$	Contributed surplus \$	Accumulated other comprehensive income \$	Deficit \$	Total \$
Balance at January 1, 2014	52,204,394	4,423,914	(6,086,341)	(5,219,409)	45,322,558
Net income for the period	-	-	-	3,746,356	3,746,356
Other comprehensive loss	-	-	(1,820,030)	-	(1,820,030)
	52,204,394	4,423,914	(7,906,371)	(1,473,053)	47,248,884
Share capital issued	1,585,065	(647,165)	-	-	937,900
Share based payment	-	1,507,007	-	-	1,507,007
Balance at September 30, 2014	53,789,459	5,283,756	(7,906,371)	(1,473,053)	49,693,791

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

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

Mongolia Growth Group Ltd.
Interim Consolidated Statement of Cash Flows
(Unaudited)
For the nine month period ended September 30 2015 and 2014

(expressed in Canadian dollars)

	September 30, 2015 \$	September 30, 2014 \$
Cash provided by (used in)		
Operating activities		
Net income (loss) for the period	(4,427,476)	3,746,356
Items not affecting cash		
Depreciation of property and equipment	102,592	92,624
Share based payment	1,306,879	1,307,005
Deferred taxes	(166,957)	594,066
Realized loss /(gain) on disposal of investment properties (note 6)	138,977	(196,528)
Realized gain on disposal of property and equipment	(17,175)	-
Impairment of other asset	-	402,339
Non cash finance expense	-	2,688
Unrealized loss/(gain) on fair value adjustment on investment properties (note 6)	2,271,061	(7,936,746)
	(792,099)	(1,988,196)
Net change in non-cash working capital balances (note 11)	(369,003)	52,380
	(1,161,102)	(1,935,816)
Financing activities		
Proceeds from share issuance	-	937,900
Proceeds from long term debt, net of finance costs	-	3,300,192
Repayment of long term debt	-	(22,027)
	-	4,216,065
Investing activities		
Disposition of investments	-	223,978
Net disposal (acquisition) of property and equipment (note 7)	27,129	(9,309)
Net disposal (acquisition) of investment properties (note 6)	615,120	(4,178,501)
	642,249	(3,963,832)
Effect of exchange rates on cash	71,871	(257,160)
Decrease in cash and cash equivalents	(446,982)	(1,940,743)
Cash and cash equivalents - Beginning of period	1,645,421	5,370,319
Cash and cash equivalents - End of period	1,198,439	3,429,576

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

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

September 30, 2015

(expressed in Canadian dollars)

1 Corporate information

The accompanying unaudited condensed interim consolidated financial statements are of Mongolia Growth Group Ltd. (the Company). The Company is registered in Alberta, Canada, with its Head Office at its registered address at 1400, 700-2nd Street W, Calgary, Alberta, Canada. The Company is domiciled out of the Company's corporate office and principal place of business which is located at 100 King Street West, Suite 5600, Toronto, Ontario, M5X 1C9, Canada. The Company's Mongolian investment property operations are based out of its office located at the Mandal Building, at the corner of Chinggis Avenue and Seoul Street in Ulaanbaatar, Mongolia.

At September 30, 2015, the Company is organized into two business units based on the business operations:

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

2 Basis of presentation

These unaudited condensed interim consolidated financial statements for the period ending September 30, 2015 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) applicable to the preparation of interim financial statements, including IAS 34 Interim Financial Reporting. The condensed interim consolidated financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2014, which have been prepared in accordance with IFRS as issued by the IASB.

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, and disclosures of contingent assets and liabilities at the date of the consolidated financial statements, revenue, and expenses during the applicable reporting periods. Critical accounting estimates and judgments are described in Note 4.

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

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

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

September 30, 2015

(expressed in Canadian dollars)

The Company's property division experiences some seasonality with higher turnovers of rental contracts in the spring, summer and fall months. Due to the harsh winters experienced in Mongolia, tenants typically do not move or change location at this time as much as they would in the other seasons.

These condensed interim consolidated financial statements were approved for issue by the Board of Directors of the Company on November 27, 2015.

3 Significant accounting policies

The significant accounting policies are unchanged from those set out in the Company's 2014 annual consolidated financial statements. Accounting standards that have been issued yet not effective are described in Note 5. These policies have been applied to all periods presented in these condensed interim consolidated financial statements, and have been applied consistently by both the Company and its subsidiaries using uniform accounting policies for like transactions and other events in similar circumstances.

4 Significant accounting estimates and judgements

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

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

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

- Fair value of investment properties - The estimate of fair value of investment properties is the most critical accounting estimate to the Company. An external appraiser estimates the fair value of the majority of investment properties annually. The fair value of investment properties is based on the nature, location and condition of the specific asset. The fair value of investment properties represents an estimate of the price that would be made in an arm's length transaction between knowledgeable, willing parties. The Company operates in the emerging real estate market of Mongolia, which given its current economic, political and industry conditions, gives rise to an increased inherent risk given the lack of reliable and comparable market information. Changes in assumptions about these factors could materially affect the carrying value of investment properties.

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

September 30, 2015

(expressed in Canadian dollars)

- Accuracy of share based compensation expense - The estimate of the ultimate expense arising from share based compensation plans is another critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the share based compensation expense recorded by the Company. The ultimate expense is estimated by using a number of key assumptions such as the expected volatility of the share price, the dividends expected on the shares, the risk-free interest rate for the expected life of the option and future forfeiture rates. Further information on key assumptions including sensitivity analysis is included in note 16 of the annual financial statements for the year ended December 31, 2014.
- Operating environment of the Company - Mongolia displays many characteristics of an emerging market including relatively high inflation and interest rates. The tax and customs legislation in Mongolia is subject to varying interpretations and frequent changes. The future economic performance of Mongolia is tied to the continuing demand from China and continuing high global prices for commodities as well as being dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government of Mongolia together with tax, legal, regulatory and political developments. Management is unable to predict all developments that could have an impact on the Mongolian economy and consequently what effect, if any, they could have on the future financial position of the Company.

5 Accounting Standards issued but not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2015 or later and have not been applied in preparing these interim condensed consolidated financial statements. Those which are relevant to the Company are set out below. The Company does not plan to adopt these standards early and is continuing to evaluate the impact of such standards.

Annual Improvements 2012-2014 Cycle

In the 2012-2014 annual improvements cycle, the IASB issued five amendments to four standards, and will apply to annual periods beginning on or after January 1, 2016. The amendments affect IFRS 5 *Non-current assets held for sale and discontinued operations*, IFRS 7 *Financial Instruments: Disclosures*, IAS 19 *Employee Benefits*, and IAS 34 *Interim Financial Reporting*. The relevant proposed amendments are not expected to have a significant impact on the Company.

IFRS 9 Financial Instruments

IFRS 9, Financial Instruments, first issued in November 2009 with final version released in July 2014 by the IASB, brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39. IFRS 9 introduces a principles-based approach to the classification of financial assets based on an entity's business model and the nature of the cash flows of the asset. All financial assets, including hybrid contracts, are measured as at fair value through profit and loss (FVTPL), fair value through OCI or amortized cost.

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

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(expressed in Canadian dollars)

For financial liabilities, IFRS 9 includes the requirements for classification and measurement previously included in IAS 39.

IFRS 9 also introduces an expected loss impairment model for all financial assets not as at FVTPL. The model has three stages: (1) on initial recognition, 12-month expected credit losses are recognized in profit or loss and a loss allowance is established; (2) if credit risk increases significantly and the resulting credit risk is not considered to be low, full lifetime expected credit losses are recognized; and (3) when a financial asset is considered credit-impaired, interest revenue is calculated based on the carrying amount of the asset, net of the loss allowance, rather than its gross carrying amount.

Finally, IFRS 9 introduces a new hedge accounting model that aligns the accounting for hedge relationships more closely with an entity's risk management activities. The standard is effective for annual periods beginning on or after January 1, 2018.

The Company is currently assessing the impact of IFRS 9 and plans to adopt the new standard on the required effective date.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.

The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company given that the Company has not used a revenue-based method to depreciate its non-current assets.

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

September 30, 2015

(expressed in Canadian dollars)

6 Investment properties

	September 30, 2015 \$	December 31, 2014 \$
Balance - beginning of period	48,458,517	32,313,391
Additions	-	-
Acquisitions	-	9,099,706
Capital expenditures	522,138	1,435,909
Transfer from property and equipment	-	689,054
Transfer from prepaid deposits	750,869	722,572
Disposals	(1,649,445)	(5,228,204)
Unrealized fair value adjustment	(2,271,061)	10,801,466
Foreign exchange adjustments	4,033,550	(1,375,377)
Balance - end of period	<u>49,844,568</u>	<u>48,458,517</u>

During the nine month period ended September 30, 2015, management applied its judgment to calculate the fair value of investment properties using the income approach and the sales comparable approach, which are generally accepted appraisal methodologies. Due to a weakening economy, an impairment of \$2,271,061 was reflected in the value of the Company's investment property portfolio.

Nine investment properties were sold during the nine month period for total cash consideration of \$1,510,468 resulting in approximate net loss of \$138,977 on these transactions. A deposit of \$271,024 was received for the sale of one of these properties in 2014.

As of September 30, 2015, included in investment properties are three investment properties actively being marketed for sale that are to be disposed without redevelopment with a fair value of \$639,913 (December 31, 2014 - \$1,109,821). A deposit of \$27,397 has been received in advance for the sale of one of these properties.

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

September 30, 2015

(expressed in Canadian dollars)

7 Property and equipment

					2014
	Furniture and fixtures \$	Equipment \$	Vehicles \$	Buildings \$	Total \$
December 31					
Cost	102,343	158,543	45,519	2,972,460	3,278,865
Accumulated depreciation	20,202	65,355	12,448	205,910	303,915
Net book value	82,141	93,188	33,071	2,766,550	2,974,950
2015					
	Furniture and fixtures \$	Equipment \$	Vehicles \$	Buildings \$	Total \$
Cost					
At January 1	102,343	158,543	45,519	2,972,460	3,278,865
Reclassification		18,690	(18,771)	1	(80)
Additions	1,743	41,344	-	-	43,087
Disposal	(5,197)	(370)		(54,596)	(60,163)
Foreign exchange adjustment	5,737	15,867	2,531	249,793	273,928
At September 30	104,626	234,074	29,279	3,167,658	3,535,637
2015					
	Furniture and fixtures \$	Equipment \$	Vehicles \$	Buildings \$	Total \$
Accumulated depreciation					
At January 1	20,202	65,355	12,448	205,910	303,915
Reclassification	(1)	2,172	(2,251)		(80)
Depreciation	7,114	37,259	1,955	56,263	102,591
Disposal	(3,184)	(369)		(3,569)	(7,122)
Foreign exchange adjustment	1,200	6,500	1,200	19,500	28,400
At September 30	25,331	110,917	13,352	278,104	427,704
Net book value at September 30	79,295	123,157	15,927	2,889,554	3,107,933

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

September 30, 2015

(expressed in Canadian dollars)

8 Equity

Common shares issued

The common shares issued during the period were completed through the settlement of debt and the vesting of Restricted Stock Awards ("RSA"). The shares issued and proceeds raised were as follows:

	Description	Number of shares issued	Amount \$
April 16, 2015	Debt Settlement	640,691	525,367
June 27, 2015	RSAs vested	23,393	54,506
		664,084	579,873

Stock options

A summary of the Company's options as at September 30, 2015 and December 31, 2014 and changes during the periods then ended follows:

	September 30, 2015	Weighted average exercise price \$	December 31, 2014	Weighted average exercise price \$
Balance, beginning of period	2,448,000	2.61	1,957,000	3.76
Options cancelled	(665,000)	3.98	(297,000)	4.20
Options granted	1,575,000	0.73	1,538,000	1.70
Options forfeited	(50,000)	1.90	(360,000)	4.08
Options exercised	0	-	(390,000)	1.76
Balance, end of the period	3,308,000	1.45	2,448,000	2.61
Exercisable	2,253,750	1.48	1,385,000	2.46
Weighted remaining average life (years)		1.62		3.63

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

September 30, 2015

(expressed in Canadian dollars)

Restricted Stock Awards

A summary of the Company's RSAs as at September 30, 2015 and December 31, 2014 and changes during the periods then ended follows:

	September 30, 2015	December 31, 2014
Balance, beginning of period	46,786	46,786
RSAs cancelled	-	-
RSAs granted	-	-
RSAs forfeited	-	-
RSAs vested	(23,393)	-
	<hr/>	<hr/>
Balance, end of the period	23,393	46,786

During the first nine months of the year, no new RSAs were granted, none were forfeited and 23,393 vested.

Weighted Average Number of Shares

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

	September 30, 2015 \$	December 31, 2014 \$
Weighted average number of shares – basic	35,248,810	34,652,992
Effect of dilutive stock options	-	-
	<hr/>	<hr/>
Weighted average number of shares – diluted	35,248,810	34,652,992

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.

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

September 30, 2015

(expressed in Canadian dollars)

9 Related party transactions

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

Key management personnel of the Company include all directors and executive management. The summary of compensation for key management personnel year to date is as follows:

	September 30, 2015	September 30, 2014
	\$	\$
Salaries and other short-term employee benefits	177,575	391,135
Share-based payments	429,117	826,578
	<hr/>	<hr/>
	606,692	1,217,713
	<hr/>	<hr/>

10 Contingent Liabilities

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

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

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

September 30, 2015

(expressed in Canadian dollars)

11 Supplementary cash flow information

	September 30, 2015 \$	September 30, 2014 \$
Changes in non-working capital arising from		
Other assets	(20,223)	29,811
Trade payables and accrued liabilities	(391,287)	(35,302)
Income taxes payable	42,507	57,871
	<hr/>	<hr/>
Changes in non-cash working capital from operating activities	(369,003)	52,380

Income taxes paid during the quarter were \$6,850 (September 30, 2014 \$1,991).

12 Segment information

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

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

Corporate administers financial resources and the corporate investment portfolio and is comprised of investment income, corporate costs and other activities not specific to other reportable segments and is shown separately.

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(Unaudited)

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(expressed in Canadian dollars)

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

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

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Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

September 30, 2015

(expressed in Canadian dollars)

	Three months ended September 30, 2015		
	Investment property \$	Corporate \$	Total \$
Rental income	478,747	-	478,747
Property operating expenses	(406,980)	-	(406,980)
Non capitalized development expense	(5,292)	-	(5,292)
Unrealized loss on fair value adjustment on investment properties	(2,271,061)	-	(2,271,061)
Share based payment	(90,708)	(55,874)	(146,582)
Other expenses	(42,743)	(198,447)	(241,190)
Depreciation	(32,245)	(1,331)	(33,576)
Net investment income	3,745	(149)	3,596
Loss on disposal of investment properties	(154,152)	-	(154,152)
Other revenue	16,276	-	16,276
Net loss before income taxes	(2,504,413)	(255,801)	(2,760,214)

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

September 30, 2015

(expressed in Canadian dollars)

	Nine months ended September 30, 2014		
	Investment property \$	Corporate \$	Total \$
Rental income	1,364,896	-	1,364,896
Property operating expenses	(1,345,954)	-	(1,345,954)
Non capitalized development expense	-	-	-
Unrealized gain on fair value adjustment on investment properties	7,936,746	-	7,936,746
Share based payment	(444,171)	(862,834)	(1,307,005)
Other expenses	(742,702)	(1,773,213)	(2,515,915)
Depreciation	(89,271)	(3,353)	(92,624)
Net investment income	66,855	12,156	79,011
Gain on disposal of investment properties	196,528	-	196,528
Other revenue	40,519	261	40,780
Net income (loss) before income taxes	6,983,446	(2,626,983)	4,356,463

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

September 30, 2015

(expressed in Canadian dollars)

	Three months ended September 30, 2014		
	Investment property \$	Corporate \$	Total \$
Rental income	420,621	-	420,621
Property operating expenses	(468,932)	-	(468,932)
Non capitalized development expense	-	-	-
Unrealized gain on fair value adjustment on investment properties	-	-	-
Share based payment	(147,134)	(206,827)	(353,961)
Other expenses	(264,137)	(835,094)	(1,099,231)
Depreciation	(30,553)	-	(30,553)
Net investment income	34,545	4,226	38,771
Gain on disposal of investment properties	(5,511)	-	(5,511)
Other revenue	9,677	-	9,677
Net loss before income taxes	(451,424)	(1,037,695)	(1,489,119)

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

September 30, 2015

(expressed in Canadian dollars)

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

	September 30, 2014		
	Investment property \$	Corporate \$	Consolidated \$
Total assets	52,224,338	3,299,547	55,523,885
Property and equipment	2,954,318	18,620	2,972,938
Investment properties	44,861,947	-	44,861,947
Period Expenditures			
Property and equipment	18,794	-	18,794
Investment properties	9,040,358	-	9,040,358

	Revenue		Property and equipment		Investment property	
	September 30, 2015 \$	September 30, 2014 \$	September 30, 2015 \$	September 30, 2014 \$	September 30, 2015 \$	September 30, 2014 \$
Canada	-	261	7,701	18,620	-	-
Mongolia	1,420,559	1,601,943	3,100,232	2,954,318	49,844,568	44,861,947
	1,420,559	1,602,204	3,107,933	2,972,938	49,844,568	44,861,947

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

September 30, 2015

(expressed in Canadian dollars)

13 Other expenses

	For the three months ended		For the nine months ended	
	September 30		September 30	
	2015	2014	2015	2014
	\$	\$	\$	\$
Public Company Expense	52,132	35,625	133,923	158,664
Repairs and maintenance	14,171	62,654	47,160	116,073
Office expense	25,521	33,722	68,665	84,490
Professional fees	138,056	352,620	515,299	1,271,125
Travel	29,075	48,977	96,894	161,364
Advertising	1,365	3,752	11,086	41,731
Other tax expense	60,769	58,515	167,376	240,242
Insurance	15,200	18,644	96,597	51,958
Utility expense	35,316	9,008	124,959	57,413
Other expenses	12,873	15,583	47,803	111,397
	<u>384,478</u>	<u>639,100</u>	<u>1,309,762</u>	<u>2,294,457</u>

New classifications have been broken out within this note to provide more details. Certain items for prior periods have been reclassified in order to be comparable within the new classification adopted for the quarter ended September 30, 2015.