

Mongolia Growth Group Ltd.

Condensed Interim Consolidated Financial Statements
(Unaudited)

For the nine months ended

September 30, 2020 and 2019

(Expressed in Canadian dollars)

Mongolia Growth Group Ltd.

Condensed Interim Consolidated Statements of Financial Position

(Unaudited)

As at September 30, 2020

(expressed in Canadian dollars)

	September 30, 2020 \$	December 31, 2019 \$
Assets		
Current assets		
Cash (note 5)	803,094	737,255
Marketable securities owned (note 6)	5,597,662	3,689,304
Other assets (note 7)	176,043	1,383,027
	<u>6,576,799</u>	<u>5,809,586</u>
Non-current assets		
Investment properties (note 8)	16,110,127	18,831,985
Property and equipment (note 9)	1,305,658	1,435,650
	<u>17,415,785</u>	<u>20,267,635</u>
Total assets	<u>23,992,584</u>	<u>26,077,221</u>
Liabilities		
Current liabilities		
Trade payables and accrued liabilities	478,462	767,732
Marketable securities sold short (note 6)	318,947	23,340
Income taxes payable	-	34,434
	<u>797,409</u>	<u>825,506</u>
Non-current liabilities		
Deferred income tax liability	521,190	581,887
	<u>521,190</u>	<u>581,887</u>
Total liabilities	<u>1,318,599</u>	<u>1,407,393</u>
Equity		
Share capital (note 10)	53,273,593	53,504,935
Contributed surplus	6,849,976	6,849,976
Accumulated other comprehensive loss	(14,468,354)	(14,233,385)
Deficit	(22,981,230)	(21,451,698)
	<u>22,673,985</u>	<u>24,669,828</u>
Total equity	<u>22,673,985</u>	<u>24,669,828</u>
Total equity and liabilities	<u>23,992,584</u>	<u>26,077,221</u>
Commitment and contingencies (note 13)		
Approved by the Board of Directors		
_____ "Harris Kupperman"	_____ Director	_____ "Robert Scott" _____ 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 nine month period ended September 30

(expressed in Canadian dollars)

	For the three months ended September 30		For the nine months ended September 30	
	2020 \$	2019 \$	2020 \$	2019 \$
Revenue				
Rental income	192,485	311,596	586,100	985,582
Other revenue	22,835	66,009	52,751	125,054
Gain on disposal of investment property (note 8)	109,375	-	109,375	-
Total revenue	324,695	377,605	748,226	1,110,636
Expenses				
Salaries and wages	117,731	194,457	410,157	525,855
Other expenses (note 16)	299,873	319,795	973,352	1,010,785
Depreciation (note 9)	16,949	18,412	52,162	55,287
Total operating expenses	(434,553)	(532,664)	(1,435,671)	(1,591,927)
Interest income	-	3,056	77	5,377
Unrealized loss on fair value adjustment on Investment properties (note 8)	-	-	(2,031,102)	-
Impairment of property and equipment (note 9)	-	-	(58,094)	-
Unrealized gain (loss) on short term investments (note 6)	140,573	(308,997)	(747,283)	(6,616)
Realized gain (loss) on short term investments (note 6)	1,082,568	(184,861)	1,995,475	119,025
Foreign currency gain (loss)	(32,916)	(145)	346	220,127
Finance costs	(12)	(22,008)	(21)	(65,816)
Total other income (loss)	1,190,213	(512,955)	(840,602)	272,097
Net income (loss) before income taxes	1,080,355	(668,014)	(1,528,047)	(209,194)
Income taxes	(32,058)	(11,146)	(1,485)	(27,695)
Net income (loss) for the period	1,048,297	(679,160)	(1,529,532)	(236,889)
Net income (loss) per share (note 10)				
Basic				
From net income (loss) for the period	0.03	(0.02)	(0.05)	(0.01)
Diluted				
From net income (loss) for the period	0.03	(0.02)	(0.05)	(0.01)

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 nine month period ended September 30

(expressed in Canadian dollars)

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
	\$	\$	\$	\$
Net income (loss) for the period	1,048,297	(679,160)	(1,529,532)	(236,889)
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	(491,730)	156,446	(234,969)	(941,690)
Total comprehensive income (loss)	556,567	(522,714)	(1,764,501)	(1,178,579)

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

Mongolia Growth Group Ltd.

Condensed Interim Consolidated Statements of Changes in Equity

(Unaudited)

For the nine month period ended September 30

(expressed in Canadian dollars)

	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 gain for the period	-	-	-	(236,889)	(236,889)
Other comprehensive loss	-	-	(941,690)	-	(941,690)
	53,625,230	6,849,976	(14,168,339)	(18,438,141)	27,868,726
Share repurchase	(94,493)	-	-	-	(94,493)
Balance at September 30, 2019	53,530,737	6,849,976	(14,168,339)	(18,438,141)	27,774,233

	Share capital \$	Contributed surplus \$	Accumulated other comprehensive loss \$	Deficit \$	Total \$
Balance at January 1, 2020	53,504,935	6,849,976	(14,233,385)	(21,451,698)	24,669,828
Net loss for the period	-	-	-	(1,529,532)	(1,529,532)
Other comprehensive income	-	-	(234,969)	-	(234,969)
	53,504,935	6,849,976	(14,468,354)	(22,981,230)	22,905,327
Share repurchase	(231,342)	-	-	-	(231,342)
Balance at September 30, 2020	53,273,593	6,849,976	(14,468,354)	(22,981,230)	22,673,985

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

Mongolia Growth Group Ltd.

Condensed Interim Consolidated Statements of Cash Flow

(Unaudited)

For the nine month period ended September 30

(expressed in Canadian dollars)

	September 30, 2020 \$	September 30, 2019 \$
Cash provided by (used in)		
Operating activities		
Net income (loss) for the period	(1,529,532)	(236,889)
Items not affecting cash		
Depreciation (note 9)	52,162	55,287
Interest expense	-	65,816
Deferred taxes	(60,697)	(27,486)
Gain on disposal of investment property	(109,375)	-
Unrealized loss on fair value adjustment on Investment properties (note 8)	2,031,102	-
Impairment of property and equipment (note 9)	58,094	-
Unrealized loss on marketable securities (note 6)	747,283	6,616
Realized gain on marketable securities (note 6)	(1,995,475)	(119,025)
Realized gain on foreign exchange in marketable securities account	-	(216,370)
	(806,438)	(472,051)
Net change in non-cash working capital balances (note 15)	756,847	50,610
	(49,591)	(421,441)
Financing activities		
Share repurchase (note 10)	(231,342)	(94,493)
Interest expense	-	(65,816)
	(231,342)	(160,309)
Investing activities		
Net sale (purchase) of marketable securities (note 6)	(866,900)	2,348,146
Increase (decrease) in margin borrowing for marketable securities	461,932	(276,972)
Net proceeds on sale of investment properties	583,373	-
Acquisition of property and equipment (note 9)	(705)	(1,602)
	177,700	2,069,572
Effect of exchange rates on cash	169,072	(22,153)
Increase (decrease) in cash	65,839	1,465,669
Cash - Beginning of period	737,255	745,411
Cash - End of period	803,094	2,211,080

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 nine month period ended September 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 September 30, 2020, 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, 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.

At September 30, 2020 and December 31, 2019, the principal subsidiaries of the Company, their geographic locations, and the ownership interest held by the Company, were as follows:

Name	Principal Activity	Ownership		Location
		September 30, 2020	December 31, 2019	
Mongolia (Barbados) Corp.	Holding Company and Brokerage Account	100%	100%	Barbados
MGG Properties LLC	Holding Company and Real estate operations	100%	100%	Mongolia
Big Sky Capital LLC	Holding Company and Real estate operations	100%	100%	Mongolia
Carrollton LLC	Real estate operations	100%	100%	Mongolia
Biggie Industries LLC	Real estate operations	100%	100%	Mongolia
Orpheus LLC	Real estate operations	100%	100%	Mongolia
Zulu LLC	Real estate operations	100%	100%	Mongolia
Crescent City LLC	Real estate operations	100%	100%	Mongolia
Oceanus LLC	Real estate operations	100%	100%	Mongolia

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 September 30, 2020, 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.

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the nine month period ended September 30

(expressed in Canadian dollars)

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 2019. The significant accounting policies used in the preparation of these consolidated financial statements are summarized in note 4.

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 November 11, 2020.

3 Significant Accounting Policies

The Company has applied the same accounting policies in these condensed interim consolidated financial statements as those applied in the Company’s annual audited consolidated financial statements as at and for the year ended December 31, 2019.

In preparing these condensed interim consolidated financial statements, the significant judgements made in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those applied to the annual consolidated financial statements as at and for the year ended December 31, 2019.

These condensed interim consolidated financial statements should be read in conjunction with the Company’s annual financial statements for the year ending December 2019.

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the nine month period ended September 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 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. Changes in assumptions about these factors could materially affect the carrying value of investment properties.
- Valuation of marketable securities - The Company recognizes marketable securities 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, judgement is required to establish fair values.

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the nine month period ended September 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 September 30, 2020 and December 31, 2019, 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 September 30, 2020 and December 31, 2019, 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. 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 nine month period ended September 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:

	September 30, 2020	December 31, 2019
	\$	\$
Barbados	1,498	1,475
Canada	418,391	33,018
Mongolia	383,205	702,762
	803,094	737,255

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

6 Marketable Securities

	September 30 2020	December 31, 2019
	\$	\$
Common shares of public companies:		
Fair value - beginning of the year	3,689,304	3,946,202
Net purchases (sales)	866,900	(238,417)
Increase in securities sold short	295,607	23,340
Foreign exchange (loss) gain	(40,409)	228,761
Unrealized (loss) gain	(747,283)	454,824
Realized gain (loss)	1,995,475	(358,826)
Increase in margin borrowings	(461,932)	(366,580)
Fair value - end of the period	5,597,662	3,689,304
Cash transferred into (out of) the brokerage account during the period	405,000	(605,000)
Cash in brokerage account – end of the period (excluded in the value of the marketable securities)	-	-

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the nine month period ended September 30

(expressed in Canadian dollars)

7 Other assets

	September 30, 2020	December 31, 2019
	\$	\$
Accounts receivable	156,003	1,342,624
Prepaid expenses	20,040	40,403
	<hr/>	<hr/>
	176,043	1,383,027

8 Investment properties

	September 30, 2020	December 31, 2019
	\$	\$
Balance - beginning of period	18,831,985	24,415,860
Additions	-	-
Transfer from other asset	145,412	48,213
Disposals	(583,372)	(2,524,305)
Fair value adjustment	(1,942,475)	(1,347,662)
Foreign exchange adjustments	(341,423)	(1,760,121)
	<hr/>	<hr/>
Balance - end of period	16,110,127	18,831,985

During the nine-month period ended September 30, 2020, the Company transferred a property acquired through the sale of a property prior to year end from other assets to investment properties as the Company obtained its property title during the first quarter. During the first quarter, the Company sold two properties with a value of \$413,237 at a net gain of \$nil. The Company also sold one property during the third quarter for cash consideration of \$279,510 resulting in a net gain of \$109,375 (Q3 2019 - \$nil). During the nine-month period, the Company recognized an unrealized fair value adjustment impairment loss of \$1,942,475 on its property portfolio (Q3 2019 - 1,347,662).

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the nine month period ended September 30

(expressed in Canadian dollars)

9 Property and equipment

	2019			
	Furniture and fixtures \$	Equipment \$	Buildings \$	Total \$
December 31				
Cost	70,944	128,444	1,800,646	2,000,034
Accumulated depreciation	45,047	107,759	411,578	564,384
Net book value	25,897	20,685	1,389,068	1,435,650
				2020
	Furniture and fixtures \$	Equipment \$	Buildings \$	Total \$
Cost				
At January 1	70,944	128,444	1,800,646	2,000,034
Additions	-	705	-	705
Disposals	-	(1,050)	-	(1,050)
Impairment	-	-	(58,094)	(58,094)
Foreign exchange adjustment	(326)	(452)	(30,316)	(31,094)
At September 30	70,618	127,647	1,712,236	1,910,501
				2020
	Furniture and fixtures \$	Equipment \$	Buildings \$	Total \$
Accumulated depreciation				
At January 1	45,047	107,759	411,578	564,384
Depreciation	5,098	8,838	38,226	52,162
Disposals	-	(1,050)	-	(1,050)
Foreign exchange adjustment	(50)	(370)	(10,233)	(10,653)
At September 30	50,095	115,177	439,571	604,843
Net book value at September 30	20,523	12,470	1,272,665	1,305,658

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the nine month period ended September 30

(expressed in Canadian dollars)

10 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, 2019	32,767,499	53,504,935
Shares re-purchased	-	(231,342)
Treasury stock cancelled	(910,500)	-
	31,856,999	53,273,593

As at September 30, 2020, the Company held 278,500 (Q3 2019-51,500) shares in Treasury.

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.

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 September 30, 2020, the Company had 3,185,700 (December 2019 – 1,856,750) 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.

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the nine month period ended September 30

(expressed in Canadian dollars)

10 Share capital and contributed surplus (continued)

A summary of the Company's options as at September 30, 2020 and December 31, 2019 and changes during the periods then ended follows:

	September 30, 2020	Weighted average exercise price \$	December 31, 2019	Weighted average exercise price \$
Balance, beginning of period	1,420,000	0.73	3,103,000	1.13
Options expired	(1,420,000)	0.73	(1,623,000)	1.49
Options cancelled	-	-	-	-
Options granted	-	-	-	-
Options forfeited	-	-	(60,000)	0.72
Options exercised	-	-	-	-
Balance, end of the period	-	-	1,420,000	0.73
Exercisable	-	-	1,420,000	0.73
Weighted remaining average life (years)	-	-	-	-

Earnings per share

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

	September 30, 2020 \$	December 31, 2019 \$
Weighted average number of shares – basic	32,312,665	32,989,169
Effect of dilutive stock options	-	-
Weighted average number of shares – diluted	32,312,665	32,989,169

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.

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the nine month period ended September 30

(expressed in Canadian dollars)

11 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.

	September 30, 2020	December 31, 2019
	\$	\$
Current assets	6,576,799	5,809,586
Current liabilities	(797,409)	(825,506)
Working capital	5,779,390	4,984,080

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 September 30, 2020, the Company's working capital was \$5,779,390 (December 31, 2019 - \$4,984,080).

12 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, executive management and persons directly related to directors and executive management. The summary of compensation for key management personnel is as follows:

	Nine months ending September 30, 2020	Nine months ending September 30, 2019
	\$	\$
Salaries and other short-term employee benefits	342,473	349,421
Director fees	30,000	30,000
	372,473	379,421

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the nine month period ended September 30

(expressed in Canadian dollars)

12 Related party transactions (continued)

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.

13 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.

14 Supplementary cash flow information

	Nine months ending September 30, 2020 \$	Nine months ending September 30, 2019 \$
Changes in non-working capital arising from		
Other assets	1,071,754	59,597
Trade payables and accrued liabilities	(284,813)	(38,789)
Income tax payable	(30,094)	29,802
Changes in non-cash working capital from operating activities	756,847	50,610

Income taxes paid during the quarter were \$688 (Q3-2019 \$8,691). Interest paid during the quarter was \$nil (Q3-2019 \$21,962).

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the nine month period ended September 30

(expressed in Canadian dollars)

15 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 September 30, 2020		
	Investment property	Corporate	Total
	\$	\$	\$
Rental income	192,485	-	192,485
Property operating expenses	(179,439)	-	(179,439)
Unrealized loss on fair value adjustment on Investment properties	-	-	-
Impairment	-	-	-
Unrealized mark to market gain	-	140,573	140,573
Realized gain on short term investments	-	1,082,568	1,082,568
Other expenses	(30,899)	(207,266)	(238,165)
Depreciation	(16,949)	-	(16,949)
Net investment income	-	-	-
Gain on disposal of investment property	109,375	-	109,375
Other revenue	22,835	-	22,835
Foreign currency gain	(17,784)	(15,132)	(32,916)
Finance cost	-	(12)	(12)
Net income (loss) before income taxes	79,624	1,000,731	1,080,355

	Nine months ended September 30, 2020		
	Investment property	Corporate	Total
	\$	\$	\$
Rental income	586,100	-	586,100
Property operating expenses	(607,481)	-	(607,481)
Unrealized loss on fair value adjustment on Investment properties	(2,031,102)	-	(2,031,102)
Impairment	(58,094)	-	(58,094)
Unrealized mark to market loss	-	(747,283)	(747,283)
Realized gain on short term investments	-	1,995,475	1,995,475
Other expenses	(115,652)	(660,376)	(776,028)
Depreciation	(52,162)	-	(52,162)
Net investment income	13	64	77
Gain on disposal of investment property	109,375	-	109,375
Other revenue	52,751	-	52,751
Foreign currency gain	3,212	(2,866)	346
Finance cost	-	(21)	(21)
Net loss before income taxes	(2,113,040)	584,993	(1,528,047)

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the nine month period ended September 30

(expressed in Canadian dollars)

15 Segment information (continued)

	Three months ended September 30, 2019		
	Investment property \$	Corporate \$	Total \$
Rental income	311,596	-	311,596
Property operating expenses	(263,313)	-	(263,313)
Unrealized mark to market gain	-	(308,997)	(308,997)
Realized gain on short term investments	-	(184,861)	(184,861)
Other expenses	(40,747)	(210,192)	(250,939)
Depreciation	(18,412)	-	(18,412)
Net investment income	2,994	62	3,056
Other revenue	66,009	-	66,009
Foreign currency gain	7,271	(7,416)	(145)
Finance cost	(21,962)	(46)	(22,008)
Net income before income taxes	43,436	(711,450)	(668,014)

	Nine months ended September 30, 2019		
	Investment property \$	Corporate \$	Total \$
Rental income	985,582	-	985,582
Property operating expenses	(786,955)	-	(786,955)
Unrealized mark to market gain	-	(6,616)	(6,616)
Realized gain on short term investments	-	119,025	119,025
Other expenses	(120,740)	(628,945)	(749,685)
Depreciation	(55,287)	-	(55,287)
Net investment income	5,249	128	5,377
Other revenue	125,054	-	125,054
Foreign currency gain	13,342	206,785	220,127
Finance cost	(65,770)	(46)	(65,816)
Net income before income taxes	100,475	(309,669)	(209,194)

Mongolia Growth Group Ltd.

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(Unaudited)

For the nine month period ended September 30

(expressed in Canadian dollars)

15 Segment information (continued)

	Balance as of September 30, 2020		
	Investment Property	Corporate	Total
	\$	\$	\$
Total assets	17,945,832	6,046,752	23,992,584
Property and equipment	1,305,658	-	1,305,658
Investment properties	16,110,127	-	16,110,127
Expenditures			
Property and equipment	705	-	705
Investment properties	145,412	-	145,412

	Balance as of September 30, 2019		
	Investment Property	Corporate	Total
	\$	\$	\$
Total assets	25,496,577	6,445,821	31,942,398
Property and equipment	1,672,899	-	1,672,899
Investment properties	23,505,904	-	23,505,904
Expenditures			
Property and equipment	1,602	-	1,602
Investment properties	-	-	-

	Revenue		Property and equipment		Investment property	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
	\$	\$	\$	\$	\$	\$
Canada	-	-	-	-	-	-
Mongolia	748,226	1,110,636	1,305,658	1,672,899	16,110,127	23,505,904
	748,226	1,110,636	1,305,658	1,672,899	16,110,127	23,505,904

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the nine month period ended September 30

(expressed in Canadian dollars)

16 Other expenses

	For the three months ended September 30	
	2020	2019
	\$	\$
Investor relations	6,675	7,261
Investment research	10,377	14,384
Repairs and maintenance	8,668	7,655
Office	13,291	14,439
Professional fees	173,892	165,582
Travel	2,134	13,119
Advertising	2,617	4,653
Land and property tax	18,676	23,561
Insurance	17,696	16,100
Utilities	27,936	31,413
Other	17,911	21,628
	299,873	319,795

	For the nine months ended September 30	
	2020	2019
	\$	\$
Investor relations	20,025	19,861
Investment research	32,255	27,376
Repairs and maintenance	17,096	59,013
Office	39,868	55,673
Professional fees	555,728	491,825
Travel	16,491	47,064
Advertising	8,066	18,099
Land and property tax	59,312	72,062
Insurance	54,552	48,251
Utilities	99,792	105,884
Other	70,167	65,677
	973,352	1,010,785

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the nine month period ended September 30

(expressed in Canadian dollars)

17 COVID-19

- Beginning in February of 2020, the Government of Mongolia undertook extra-ordinary actions in order to limit the spread of COVID-19 or other COVID-19 related impacts. These actions included closing borders, closing schools, reducing gatherings and drastic limitations on business operations. As long-term investors in Mongolia, the Corporation welcomes these actions that keep the people of Mongolia safe from COVID-19; however it is anticipated that these actions will lead to a severe economic crisis. Since the initiation of these actions, the Company has experienced a material reduction in rental revenues received. It is reasonable to expect there could be a material negative impact on the fair values of investment properties and/or marketable securities, however at this time the potential effect cannot be quantified. At this time, there is no way to know the ultimate impact of these extra-ordinary actions upon the economy or the Company.