

# Annual Information Form



**MONGOLIA**  
GROWTH GROUP

For the year ended December 31, 2014

April 30, 2015

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## MONETARY REFERENCES

Unless otherwise indicated, all of the information provided in this Annual Information Form is as at December 31, 2014 and all references to “dollars” and “\$” are to Canadian dollars unless otherwise specified.

## INTERPRETATION

References in this Annual Information Form to “management” mean the Management as defined herein. Any statements in this Annual Information Form made by or on behalf of Management are made in such persons’ capacities as managers within the Corporation and not in their personal capacities.

## DEFINITIONS

“**ABCA**” means the *Business Corporations Act* (Alberta), and the regulations thereunder, as amended from time to time.

“**Annual Information Form**” or “**AIF**” means this Annual Information Form for the year ended December 31, 2014.

“**Audit Committee**” means the audit committee of the Board.

“**Big Sky**” means Big Sky Capital LLC, a wholly owned subsidiary of Mongolia Barbados Corp.

“**Board**” means the board of directors of the Corporation.

“**CNSX**” means Canadian National Stock Exchange.

“**Common Shares**” means the common shares in the capital of the Corporation.

“**Corporation**” means Mongolia Growth Group Ltd.

“**Discounted Market Price**” means the market price less the following maximum discounts based on closing price (and subject to, notwithstanding the application of any such maximum discount, a minimum price per share of \$0.05 and a minimum exercise price per warrant or incentive stock option, as the case may be, of \$0.10):

Closing Price	Discount
up to \$0.50	25%
\$0.51 to \$2.00	20%
Above \$2.00	15%

“**Effective Date**” means the effective date of this annual information form, which is April 30, 2015.

“**FRC**” means the Financial Regulatory Commission of Mongolia.

“**House**” means the State Great Hural, the unicameral legislature of Mongolia.

“**Management**” means the senior management team of the Corporation.

“**Mandal**” means Mandal General Daatgal LLC.

“**MGGI**” means Mongolia Growth Group Inc., a private company acquired by the Corporation.

“**Mongolia Barbados**” means Mongolia (Barbados) Corp., a wholly owned subsidiary of the Corporation.

“**NEX**” means NEX, a separate board of TSXV.

“**NI 52-110**” means National Instrument 52-110 – *Audit Committees*.

“**Options**” means those options to purchase Common Shares, granted from time to time by the Corporation.

“**OTCBB**” means the Over the Counter Bulletin Board in the United States of America.

“**Preferred Shares**” means the preferred shares in the capital of the Corporation, of which none are currently outstanding.

“**Qualifying Transaction**” has the meaning ascribed to it in the TSXV Corporate Finance Manual.

“**ReNvision Agreement**” means the legal agreement Summus entered into with ReNvision to effect a Qualifying Transaction.

“**SEDAR**” means the System for Electronic Document Analysis and retrieval, which can be accessed at [www.sedar.com](http://www.sedar.com).

“**Shareholders**” means the holders of Common Shares.

“**Summus**” means Summus Capital Corp., a former name of the Corporation.

“**Togrog**” means the official currency of Mongolia, Mongolian Togrog.

“**TSXV**” means the TSX Venture Exchange.

“**Ulaanbaatar**” means the capital city of Mongolia

“**UMC Capital**” means UMC Capital LLC, a private company in Mongolia.

“**UMC Group**” means UMC Group LLC, a private company in Mongolia.

## **FORWARD-LOOKING STATEMENTS**

This Annual Information Form contains statements that, to the extent that they are not historical fact, may constitute “forward-looking information” within the meaning of applicable securities legislation. Forward-looking statements or information may include financial and other projections and are statements which reflect the current reasonable expectations and assumptions of Management regarding the future growth, results of operations, performance and business prospects and opportunities of the Corporation.

Wherever possible, words such as “may”, “would”, “could”, “should”, “will”, “anticipate”, “believe”, “plan”, “expect”, “intend”, “estimate”, “aim”, “endeavour” and similar expressions have been used to identify these forward-looking statements. These statements reflect Management’s current beliefs with respect to future events and are based on information currently available to Management. Management uses forward-looking statements because it believes they provide useful information with respect to the Corporation, and cautions readers that the information may not be appropriate for other purposes and should not be read as guarantees of future performance or results. In particular, this Annual Information Form contains forward-looking statements pertaining to, but not limited to, the following:

- future supply and demand for real estate in Mongolia;
- expected returns from investment, future trends in the population of Mongolia;
- future economic outlook for Mongolia;
- the ability to advance the Corporation’s real estate business;
- the Corporation’s business strategy and growth expectations;
- proposed business modes of the Corporation;
- competition in Mongolia;
- changes in the business environment that might impact the performance of the Corporation;
- future liquidity and financial capacity of the Corporation;
- realization of the anticipated benefits of acquisitions and dispositions;
- expected levels of capital and operating costs, general and administrative costs, costs of services and other costs and expenses associated with the Corporation’s business;
- results and impact of legal proceedings if any, involving the Corporation or its subsidiaries;
- treatment of the Corporation under government, regulatory and taxation regimes;
- third party, stock exchange, governmental and/or regulatory approvals and the timing thereof;
- lack of anticipated changes to the Corporation’s business in the next year;
- the availability of additional funding; and
- use of future earnings.

There are uncertainties inherent in forward-looking information, including factors beyond the Corporation’s control. The Corporation undertakes no obligation to update forward-looking information if circumstances or Management’s estimates or opinions should change except as required by law. The reader is cautioned not to place undue reliance on forward-looking statements.

Although the Corporation believes that the expectations reflected by the forward-looking statements presented in this Annual Information Form are reasonable, these forward-looking statements have been based on assumptions and factors concerning future events that may prove to be inaccurate. Those assumptions and factors are based on information currently available to the Corporation about itself and the businesses in which it operates. Information used in developing forward-looking statements has

been acquired from various sources including third party consultants, suppliers, regulators and other sources. In some instances, material assumptions are disclosed elsewhere in this Annual Information Form in respect of forward looking statements. The material factors and assumptions used to develop the forward-looking statements include but are not limited to:

- capital requirements;
- fluctuations in the international currency markets and in the rates of exchange of the currencies of Mongolia, Canada, and the United States;
- changes in national and local government legislation in Mongolia, Canada, the United States and Barbados or any other country in which the Corporation currently or may in the future carry on business;
- taxation;
- controls, regulations and political or economic developments in the countries in which the Corporation does or may carry on business;
- competition;
- retention of key employees,
- additional funding requirements,
- stock market volatility and ability to access sufficient capital from internal and external sources;
- changes in project parameters as plans continue to be refined;
- accidents;
- labour disputes;
- defective title to claims or property;
- future currency and interest rates;
- the Corporation's ability to generate sufficient cash flow from operations and to access existing credit facilities and capital markets to meet its future financial obligations;
- that the Corporation will be able to obtain equity and debt financing on satisfactory terms and on a timely basis;
- that capital expenditure levels will be consistent with the Corporation's disclosed capital expenditure program;
- general economic and financial market conditions; and
- government regulation in the areas of taxation and environmental protection.

## **Risk Factors**

Forward-looking statements involve significant risks, uncertainties and assumptions. Many factors could cause actual results, performance or achievements of the Corporation to be materially different from any future results, performance or uncertainty regarding achievements that may be expressed or implied by such forward-looking statements. The Corporation is subject to changes in foreign economic, political, and social conditions. The Corporation's future interests in Mongolia are always at risk to changes in government policies that may discourage foreign investment or nationalize companies or industries. Governments may implement business and development restrictions or requirements not currently foreseen. There is no assurance that provisions under Mongolian law for compensation and reimbursement of losses to investors under such circumstances would restore the full value of the Corporation's original investment or to compensate for the loss of the future value of Mongolian projects. The Corporation's future interests in Mongolia may be affected in varying degrees by, among other things, price controls, income taxes and environmental legislation. See the section below titled "*Risk Factors*" for a detailed discussion of the risks faced by the Corporation.

There can be no assurance that Mongolian laws protecting foreign investments will not be amended or abolished or that existing laws will be enforced or interpreted to provide adequate protection against any or all of the risks described above.

The Corporation's operations may also be affected in varying degrees by, among other things, political, economic and social instability, economic or other sanctions imposed by other nations, terrorism, military repression, extreme fluctuations in currency exchange rates, fluctuations in markets where the Corporation invests and high inflation. The Corporation may also be negatively affected by criminal activities including, but not limited to, corruption by government and non-government persons and groups of persons including but not limited to unofficial political organizations such as local gangs or other bodies. The Corporation cannot guarantee that the Mongolian government will not implement laws, including tax laws, or policies specific to the Corporation, or specific to the industries that the Corporation operates in or is dependent upon, that may limit the Corporation's ability to operate effectively, if at all, and to diminish or eliminate profits raised, if any, in Mongolia. Any changes in regulations or shifts in political and social attitudes and conditions are beyond the control of the Corporation and may negatively affect its business interests.

The Corporation could face foreign exchange, interest rate and inflation risks. The Corporation's revenues may be paid in Mongolian Togrog and other various international currencies and as at the date of this Annual Information Form the Corporation's working capital is in Canadian dollars, American dollars, and Mongolian Togrog. The Corporation may convert funds to foreign currencies as its payment obligations become due. Part of the Corporation's future costs will likely be incurred in Mongolian Togrog, the currency of Mongolia. The Corporation's accounts are prepared in Canadian dollars and any dividends, if paid, will be paid in Canadian dollars.

Accordingly, the Corporation is subject to inflation in those countries in which it may operate in the future and fluctuations in the rates of currency exchange between the Canadian dollar and the currencies of those countries, and such fluctuations may materially affect the Corporation's business, results of operations and financial condition. Costs related to the development, implementation and operation of the Corporation's business plans may be higher than the Corporation anticipates. Any increase in relevant interest rates will increase the amount the Corporation pays to service any debts which may be incurred, now or in the future.

In addition, new factors and risks emerge from time to time and it is not possible for the Management to predict all of such factors and to assess in advance the impact of each such factor on the Corporation or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results, performance or achievements may vary materially from those expressed or

implied by the forward-looking statements contained in this Annual Information Form. These factors are not exhaustive and should be considered carefully. Readers should not place undue reliance on forward-looking statements.

Although forward-looking statements contained in this Annual Information Form are based upon what the Management currently believes to be reasonable assumptions, the Corporation cannot assure prospective investors that actual results, performance or achievements will be consistent with these forward-looking statements. The forward-looking statements and information contained in this Annual Information Form are made as of the date hereof and, unless so required by applicable law, the Corporation undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless required by applicable securities laws. **The forward-looking statements and information contained in this Annual Information Form are expressly qualified by this cautionary statement.**

## CORPORATE STRUCTURE

### Name, Address and Incorporation

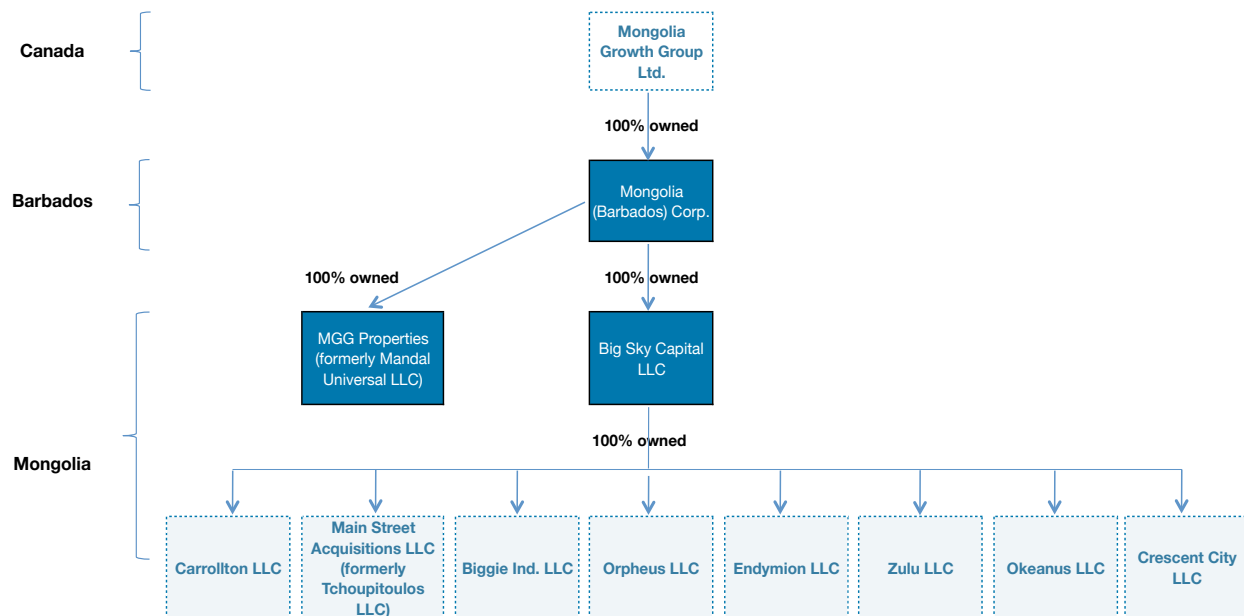
Mongolia Growth Group Ltd. (the “**Corporation**” or “**MGG**”) formerly known as Summus Capital Corp. (“**Summus**”), was incorporated under the ABCA on December 17, 2007. On February 7, 2008, the Corporation filed Articles of Amendment removing its private company restrictions. On February 2, 2011, Management purchased 320,500 common shares of Summus, from the then management of Summus. On February 2, 2011 the Corporation filed Articles of Amendment renaming Summus “Mongolia Growth Group Ltd.”, cancelled all outstanding options and consolidated the common shares of Summus at a ratio of 1:2. On April 17, 2012, the Corporation filed Articles of Amendment allowing for meetings of shareholders of the Corporation to be held at any place within Canada or the United States of America. The Corporation’s Common Shares are currently traded in Canada on the TSXV under the symbol “YAK” and on the OTCBB under the symbol “MNGGF”.

The Corporation’s registered office is 1900, 520 3<sup>rd</sup> Avenue S.W. Calgary, Alberta, T2P 0R3. The Corporation’s head office and principal place of business is 100 King Street West, Suite 5600, Toronto, Ontario, M5X 1C9. The Corporation also has a business office for its Mongolian operations in Sukhbaatar district, 2nd Khoroo, Seoul Street, Bld 7/2, Ulaanbaatar, Mongolia. The Corporation is a reporting issuer in Alberta, British Columbia and Ontario.

### Inter-corporate Relationships

The Corporation is structured as a holding company with various wholly-owned subsidiaries operating in the Mongolian real estate industry, within the nation of Mongolia. The Corporation currently has one subsidiary incorporated in Barbados, Mongolia (Barbados) Corp., that operates as holding company for all of the Corporation’s Mongolian subsidiaries.

Below is a diagram displaying the inter-corporate relationships between the Corporation and its subsidiaries:



**Mongolia (Barbados) Corp. (“Mongolia Barbados”)**

- Incorporated February 9, 2011
- Incorporated pursuant to the laws of Barbados
- Located at Suite 100, One Financial Place, Lower Collymore Rock, St. Michael, Barbados
- Wholly-owned by the Corporation (100%)

**Big Sky Capital LLC (“Big Sky”)**

- Incorporated February 10, 2011
- Incorporated pursuant to the laws of Mongolia
- Located at Sukhbaatar District, 2nd khoroo, 5th khoroolol, Seoul Street, Building 7/1, 5th floor Ulaanbaatar, Mongolia
- Wholly-owned by a subsidiary of the Corporation, Mongolia Barbados (100%)

**MGG Properties LLC**

- Incorporated April 15, 2011 as Mandal Universal LLC
- Name changed to MGG Properties LLC on February 17, 2014
- Incorporated pursuant to the laws of Mongolia
- Located at Sukhbaatar District, 2nd khoroo, 5th khoroolol, Seoul Street, Building 7/1, 5th floor Ulaanbaatar, Mongolia
- Wholly-owned by a subsidiary of the Corporation, Mongolia Barbados (100%)

**Biggie Industries LLC**

- Incorporated April 28, 2011
- Incorporated pursuant to the laws of Mongolia
- Located at Sukhbaatar District, 2nd khoroo, 5th khoroolol, Seoul Street, Building 7/1, 5th floor Ulaanbaatar, Mongolia
- Wholly-owned by subsidiary of the Corporation, Big Sky (100%)

**Endymion LLC**

- Incorporated April 28, 2011
- Incorporated pursuant to the laws of Mongolia



- Located at Sukhbaatar District, 2nd khoroo, 5th khorooolol, Seoul Street, Building 7/1, 5th floor Ulaanbaatar, Mongolia
- Wholly-owned by subsidiary of the Corporation, Big Sky (100%)

#### **Orpheus LLC**

- Incorporated April 28, 2011
- Incorporated pursuant to the laws of Mongolia
- Located at Sukhbaatar District, 2nd khoroo, 5th khorooolol, Seoul Street, Building 7/1, 5th floor Ulaanbaatar, Mongolia
- Wholly-owned by subsidiary of the Corporation, Big Sky (100%)

#### **Zulu LLC**

- Incorporated April 28, 2011
- Incorporated pursuant to the laws of Mongolia
- Located at Sukhbaatar District, 2nd khoroo, 5th khorooolol, Seoul Street, Building 7/1, 5th floor Ulaanbaatar, Mongolia
- Wholly-owned by subsidiary of the Corporation, Big Sky (100%)

#### **Crescent City LLC**

- Incorporated June 2, 2011
- Incorporated pursuant to the laws of Mongolia
- Located at Sukhbaatar District, 2nd khoroo, 5th khorooolol, Seoul Street, Building 7/1, 5th floor Ulaanbaatar, Mongolia
- Wholly-owned by subsidiary of the Corporation, Big Sky (100%)

#### **Carrolton LLC**

- Incorporated September 23, 2011
- Incorporated pursuant to the laws of Mongolia
- Located Sukhbaatar District, 2nd khoroo, 5th khorooolol, Seoul Street, Building 7/1, 5th floor Ulaanbaatar, Mongolia
- Wholly-owned by subsidiary of the Corporation, Big Sky (100%)

#### **Okeanus LLC**

- Incorporated August 1, 2013
- Incorporated pursuant to the laws of Mongolia
- Located at Sukhbaatar District, 2nd khoroo, 5th khorooolol, Seoul Street, Building 7/1, 5th floor Ulaanbaatar, Mongolia
- Wholly-owned by subsidiary of the Corporation, Big Sky (100%)

#### **Main Street Acquisitions LLC**

- Incorporated July 8, 2012 as Tchoupitoulas LLC
- Renamed as MainStreet Acquisitions LLC on May 24, 2014
- Incorporated pursuant to the laws of Mongolia
- Located at Sukhbaatar District, 2nd khoroo, 5th khorooolol, Seoul Street, Building 7/1, 5th floor Ulaanbaatar, Mongolia
- Wholly-owned by subsidiary of the Corporation, Big Sky (100%)

### **GENERAL DEVELOPMENT OF THE BUSINESS**

The Corporation is a Canadian holding company that invests in real estate. The Corporation is presently engaged in the business of: (i) the ownership of retail, office and redevelopment investment properties; (ii) the management of investment properties; and (iii) the repair, construction and development of investment properties.

The following is a summary of the significant events in the development of the Corporation for the previous four fiscal years and subsequent to December 31, 2014.

## Four Year History

### 2011

In February 2011, Harris Kupperman and Jordan Calonego purchased 320,500 Common Shares of the Corporation (on a post consolidation basis) from the founding board members of the Corporation. In addition, the Corporation completed a reorganization transaction whereby the Corporation:

- (a) changed the name of the Corporation to “Mongolia Growth Group Ltd.” From Summus Capital Corp.;
- (b) completed a share consolidation of the common shares of Summus at a ratio of two pre-consolidation common shares for one post-consolidation Common Share;
- (c) closed a non-brokered private placement of 12,685,452 Common Shares for aggregate gross proceeds of \$4,611,253 on a post-consolidated basis;
- (d) filed an application to de-list of the Common Shares from the NEX and to list the Common Shares on the CNSX; and
- (e) appointed Paulo Bilezikjian, Jordan Calonego, Bill Fleckenstein, Harris Kupperman and Paul Sweeney as the new directors.

In connection with the foregoing, the Corporation completed the acquisition of all of the common shares of MGGI (which were held by Mr. Calonego) and settled all amounts owing by MGGI to Harris Kupperman and Jordan Calonego (the “**Mongolia Share Purchase Transaction**”). As a result of the Mongolia Share Purchase Transaction the Corporation became the sole shareholder of MGGI. Immediately thereafter, the Corporation amalgamated with MGGI.

Immediately following the transactions described above, Harris Kupperman was appointed President and Chief Executive Officer of the Corporation and Jordan Calonego was appointed Chief Operating Officer, interim Chief Financial Officer and interim Corporate Secretary of the Corporation following the resignations of Jason Krueger as President and Chief Executive Officer, Alan Withey as Vice President, Finance and Chief Financial Officer and Syd Abougoush as Corporate Secretary.

On March 9, 2011, the Corporation entered an agreement with various members of UMC Group to provide consulting services during the business formation process of founding a property and casualty insurance business in Mongolia. Certain individuals were contracted to stay on as senior management of the future insurance company.

On April 8, 2011, the Corporation closed a non-brokered private placement of 11,257,923 Common Shares, at a price of \$1.32 per share, for aggregate gross proceeds of \$14,860,458.

On April 13, 2011, the Corporation’s Common Shares began trading on the OTCBB under the symbol MNGGF.

On June 23, 2011, the Corporation closed a non-brokered private placement of 4,871,673 Common Shares, at a price of \$3.51 per Common Share, for aggregate gross proceeds of \$17,099,573.

On December 23, 2011, the Corporation closed the non-brokered private placement of 3,846,154 Common Shares, at a price of \$3.90 per Common Share, for aggregate gross proceeds of \$15,000,000.

### 2012

In February of 2012, the Corporation completed the renovation of the Mandal Building and began to occupy the building as the Corporation’s headquarters.

On May 16, 2012, the Corporation announced that it had agreed to and signed a binding term sheet agreeing to sell shares of Mandal to UMC Capital, the operators of Mandal.

Throughout the year, the Corporation continued to hire key employees and built up the property management division.

### **2013**

On January 9, 2013, the Corporation's common shares were listed and posted for trading on the TSXV under the symbol YAK. In conjunction with the listing, the Corporation's shares were delisted from the CNSX following the market close on January 8, 2013.

On January 17, 2013 John Shaw was appointed to the board of directors.

On March 4, 2013, Paulo Bilezikjian resigned from the board of directors.

On December 20, 2013, the Corporation disposed of its wholly owned insurance subsidiary, Mandal General Insurance LLC, selling its stake to UMC Capital LLC for consideration of \$3,669,951. Cash consideration of \$458,101 was paid at the date of closing with the remaining \$3,211,850 due in installments over an 18 month period. Mandal had net assets of \$2,484,624 on the date of disposition.

### **2014**

The Corporation has purchased a large property (2,008 square meters) in Mongolia for a total cost of USD\$5,852,000. This purchase will be funded through the exchange of 2 assets with a year-end Fair Value of USD\$1,202,000, and cash considerations of USD\$4,650,000. The Corporation took possession of the new property on February 17, 2014. As of April 30, 2014, USD\$2,650,000 has been paid to the seller and the remaining USD\$2,000,000 is due in two further installments. In order to fund the remaining cost of this purchase, the Corporation is in the process of securing USD\$3,000,000 of financing through a commercial bank in Mongolia.

The Corporation's CFO, Matthew Aiken, resigned effective February 28, 2014, and the Corporation's Financial Controller, Talha Siddiqui, was appointed as Interim CFO.

On March 1, 2014, the Corporation hired a new CEO, Paul Byrne. The former CEO, Harris Kupperman was appointed as Executive Chairman.

On March 3, 2014, the Company issued 936,000 5-year options at a price of \$1.90 per share.

On March 31, 2014, the Corporation closed a private placement with new CEO, Paul Byrne. Mr. Byrne purchased 125,000 shares at a price of \$2.00 for total proceeds of \$250,000.

On June 2, 2014, Genevieve Walkden was named Corporate Secretary as founding member, Jordan Calonego stepped down from his executive role with the Company.

On December 15, 2014, four of the Company's directors as well as the Corporation's Chief Executive Officer resigned and were replaced by four new directors and former CEO, Harris Kupperman.

On December 15, 2014, the Company issued 375,000 5-year options at a price of \$1.09 per share.

### **2015**

On April 2, 2015, the Corporation announced that it intended to issue a total of 640,691 common shares of the Corporation at a price of CDN \$0.82 per share in settlement of outstanding amounts owed by the Corporation in the amount of US \$420,000. The Corporation also issued 935,000 5-year options to purchase at a price of CDN \$0.72 per share,

On April 7, 2015, the Corporation announced that various employees and a consultant have agreed to forfeit and cancel 615,000 options with exercise prices between CDN \$4.00 and CDN \$4.77. The Corporation also announced that a total of 640,000 5-year, stock options had been issued to Directors and Officers at an exercise price of CDN \$0.74.

On April 27, 2015, the Corporation announced the closing of the Company's previously announced settlement of outstanding amounts owed by the Company in the amount of US \$420,000 through the issuance of 640,691 common shares of the Company at a price of CAD \$0.82 per share.

### **Significant Acquisitions**

During the 2014 year, The Corporation completed a large acquisition of a cost base of approximately \$9,044,000 in three separate transactions throughout the year.

## **BUSINESS OF THE CORPORATION**

### **General**

The Corporation operates a real estate business in the emerging economy of Mongolia. Prior to the sale of Mandal General Insurance LLC in December 2013, the Corporation had two different lines of business: real estate and insurance. Subsequent to the sale, the Corporation is in the business of: (i) the ownership of retail, office and redevelopment investment properties; (ii) the management of investment properties; and (iii) the repair, construction and development of investment properties. As of December 31, 2014, the Corporation had acquired over \$48,000,000 worth of investment property in Ulaanbaatar, Mongolia, where all of its property is located.

Mongolia (Barbados) Corp. owns Big Sky Capital LLC, the Corporation's primary real estate subsidiary which, at December 31, 2014 held approximately \$8.6 million in assets. Big Sky also wholly owns the following nine subsidiaries each of which have real estate operations in Mongolia and the following assets: Carrolton LLC (\$4.9 million), Biggie Industries LLC (\$11.2 million), Orpheus LLC (\$6.5 million), Endymion LLC (\$3.4 million), Zulu LLC (\$5 million), Crescent City LLC (\$14.1 million) and Oceanus LLC (\$0.0 – no assets) Main Street Acquisitions LLC (\$0.0 – no assets).

### **Property Operations**

#### **Background**

Ulaanbaatar, the capital city of Mongolia, has a population of approximately 1.32 million people<sup>[1]</sup> which makes up about 44% of Mongolia's entire population. There appears to be a significant undersupply of modern housing and commercial properties in the city center of the capital. As of 2014, 40.9% of city residents are living in apartments or houses<sup>[2]</sup>, while the rest are living in gers, traditional Mongolian tent housing. Ulaanbaatar is aiming to reduce the number of gers dramatically because of air pollution and smog problems. Each household in a ger burns coal as the main source of heat. The Government of Mongolia has been implementing several construction and infrastructure projects to develop a modern city and reduce air pollution. By 2030, Ulaanbaatar expects that 79% of city residents will live in apartments.<sup>[3]</sup> Thus, the construction industry, along with real estate businesses, will play an important role in the domestic economy in next few decades. As the economy expands, increasingly affluent Mongolians will likely demand higher standards of living. Foreigners from developed countries working in Mongolia already have high expectations, which are generally not being met at present.

<sup>[1]</sup> Ulaanbaatar Statistics Office, 2015 February Bulletin

<sup>[2]</sup> Ulaanbaatar Statistics Office, 2014 June

<sup>[3]</sup> Ulaanbaatar Master Plan Office

### **Real Estate in Mongolia**

Over time, real estate prices in Mongolia are expected to be correlated with changes in wealth and disposable income. As the Mongolian economy expands, the Corporation anticipates that real estate should be a sector that will take advantage of such trends. While the Corporation is open to attractive construction opportunities, its preference is to purchase and rent out existing properties. Management sees rental yield as a tangible metric in determining the value of a property portfolio. Importantly, existing properties produce cash flow almost immediately after being acquired. The Corporation is determined to achieve profitability and reduce funding risk. Over time, the majority of the returns from a property portfolio are created by rental appreciation, which will in turn increase property values, especially in a rapidly growing economy.

### **Real Estate Portfolio**

The Corporation is focusing its efforts on commercial real estate in the capital city of Mongolia, Ulaanbaatar. As of December 31, 2014, the Corporation owned 4 units of residential housing, 5,651 square meters of retail space, 5,358 square meters of office space, and land leases of 9,367 square meters for redevelopment opportunities.

For the year ended December 31, 2014, 2% of the Corporation's rental revenue came from residential tenants, 55% came from retail tenants, 37% came from office tenants and 6% came from redevelopment. For the month of December 2014, 51% of the Corporation's rental revenue came from retail tenants, 41% came from office tenants and 8% came from redevelopment, no revenue came from residential tenants.

As of December 31, 2014, approximately 94.2% of all rentable properties in the total portfolio were occupied. The Corporation currently employs three property associates responsible for renting out the Corporation's properties. Most of the Corporation's existing leases have a clause that restricts the annual rent increase to no more than 25% for the term of the lease. For this reason, and due to substantial anticipated increases in rental rates, Management has adhered to a policy of only entering into short duration leases, with varying terms.

As of December 31, 2014 the Corporation had the following lease durations:

- 1 year = 45.8%
- 2 year = 37.3%
- 3 year = 13.6%
- 5 year = 3.4%

### **Specialized Knowledge Respecting Mongolian Business Practices**

Management believes that the uniqueness of the local culture makes it both difficult for foreigners to operate in Mongolia, without local help, and provides an advantage to firms that operate in a hands-on manner. Mongolian business practices in the construction and renovation industries are unique because that industry is so new. Practices in the purchase, sale and leasing of properties are also very early in the development cycle and many transactions relating to properties are still conducted with cash.

The Corporation has internal employees searching for acquisition targets, as well as relationships with numerous external property agents that look for properties to purchase. When potential acquisitions are discovered, Management has the property measured and examined by an internal property inspector. The property is analyzed, based on location (for comparable recent sales and rental rates), as well as assessed for potential redevelopment or modifications, which would lead to higher rents and justify purchase. This process is enhanced via the proprietary knowledge of the Corporation's internal research team. The property title is inspected and if all due diligence is positive, Management begins negotiations on the price. Most properties are found through word of mouth. Property agents are compensated differently depending on whether they are an employee or an external contractor.

## Strategy

The Corporation focuses on the city center of Ulaanbaatar in which it has purchased select new construction as well as acquired undervalued older, well-located units and renovates them. More specifically, the Corporation has been targeting two distinct districts, Sukhbaatar and Chingeltei, in which the Corporation has purchased the majority of the property in its portfolio. These two districts have been targeted by the Corporation as these districts are in the downtown core of the city and the Corporation expects these areas to be the fastest growing and most desirable property in Ulaanbaatar.

## Competitive Conditions

The real estate market in Mongolia is fragmented and highly competitive. The Corporation competes for real property acquisitions and the rental of properties with individuals, corporations, institutions and other entities that may seek real property investments similar to those we desire. An increase in competition for real property investments would increase purchase prices and reduce the yield on investing in properties. The Corporation believes that its competitive position is equivalent to that of other property investment companies of similar size and at a similar stage of development.

The Corporation faces competition from numerous businesses and individuals including:

- (a) All Mongolian citizens that own property and offer their property for rent. The Corporation also faces competition from both Mongolian and foreign property developers who are adding additional property to the market with an intention of offering their properties for rent;
- (b) Substantial Mongolian property groups which are owned by a small group of investors. Some of the largest of these groups include MCS Group, Tushig Group, Max Group, Bodi Group, Grand Group and Chono Group. In terms of institutional investors who aim to own property to collect rental revenue, to date, there are no other competitors that the Corporation is aware of; and
- (c) Numerous property funds that have been launched to allow foreign investors to invest in property in Ulaanbaatar.

To date, the Corporation is not aware that any of these property funds have raised substantial capital.

## Employees

As at December 31, 2014, the Corporation employed 30 employees, of which 25 were Mongolian nationals. Of this number, the Corporation employed three members on the senior management team, four members on the management team, seventeen employees in administration functions, and six as support staff. None of the Corporation's employees are covered by unions or collective bargaining agreements.

Management believes that the Corporation's relationships with its employees are excellent as evidenced by low employee turnover.

## Foreign Operations

All of the Corporation's operations are in foreign jurisdictions, specifically Mongolia. International operations are subject to political, economic and other uncertainties, including but not limited to, risk of terrorist activities, revolution, border disputes, expropriation, renegotiations or modification of existing contracts, taxation policies, including tax increases and retroactive tax claims, exchange controls, currency fluctuations, labour disputes and other uncertainties arising out of foreign government sovereignty over the Corporation's international operations. The Corporation's operations may also be adversely affected by applicable laws and policies of Mongolia, the effect of which could have a negative impact on the Corporation.

## Seasonality

The business environment in Mongolia exhibits seasonality. Business activity slows during part of the summer due to the traditional holiday of Naadam and the desire of many Mongolians to spend more time in the countryside with their families. Property business activity also slows down during the harshest of the winter season due to the extreme cold, which limits new construction, tenants moving, and general business activity. National holidays on and around the Mongolian New Year, as well as informal holidays at Christmas, Western New Year and seasonal parties also severely slow down business activity in Mongolia.

## Changes in the Corporation's Business

On December 20, 2013, the Corporation disposed of its wholly owned insurance subsidiary, Mandal General Insurance LLC, selling its stake to UMC Capital LLC for consideration of \$3,669,951. Cash consideration of \$458,101 was paid at the date of closing with the remaining \$3,211,850 due in installments over an 18 month period. Mandal had net assets of \$2,484,624 on the date of disposition.

During 2014, the Company amended the original payment terms in order to realise full payment of the remaining long-term receivable. As a result, the Company negotiated a discount on the consideration receivable of \$402,339 and the remaining \$2,585,533 was received in cash in November 2014. This discount of \$402,339 has been recorded as an expense during the year ended December 31, 2014.

## Environmental Protection

Environmental laws and regulations provide a range of potential liabilities, including potentially significant penalties, and potential liability for the costs of removal or remediation of certain hazardous or toxic substances released on, to, in or from our properties or disposed of in any other location. The presence of such substances, if any, may also adversely affect our ability to sell or redevelop such real estate or to borrow using such real estate as collateral, and could potentially also result in claims by private plaintiffs.

Environmental site assessments of each of the properties have previously been performed by qualified employees or independent consultants as deemed necessary. For instance, such assessments are performed prior to the acquisition of any real property to identify actual or potential site contamination and non-compliance with environmental laws and regulations. The assessments are based on a review of available historical and current records, interviews with available site personnel and a visual inspection of the relevant property. When an environmental site assessment identifies any substantial potential issues, including non-compliance with material environmental laws or regulations, further assessment may be carried out.

We believe that the current estimated cost of remediation or capital expenditures with respect to actual or potential environmental conditions would not have a material adverse effect on our results of operations, business, prospects and financial condition. We will continue to make appropriate capital and operating expenditures to ensure compliance with environmental laws and regulations.

We have a comprehensive environmental impairment liability insurance policy covering the properties which will reduce our exposure to any unforeseen incidents or historical issues.

## Reorganizations

Please see "*General Development of the Business – Four Year History – 2011*" for a description of the corporate reorganization which occurred in February, 2011. There are no material reorganizations of the Company or its subsidiaries proposed for the current year as at the Effective Date.

## RISK FACTORS

The holding of securities in the Corporation should be considered highly speculative due to the nature of the Corporation's business and the present stage of its development. The following is a summary of



certain risk factors relating to the activities of the Corporation and the ownership of the Corporation's securities. Investors should carefully consider the risk factors set out below and consider all information contained herein and in the Corporation's other public filings before making an investment decision relating to the Corporation's securities.

## **BUSINESS AND FINANCIAL CONDITION RISKS**

### **Risks Inherent in the Real Estate Industry**

Real estate ownership is generally subject to numerous factors and risks, including changes in general economic conditions, (such as the availability, terms and cost of mortgage financings and other types of credit), local economic conditions (such as an oversupply of office and other commercial properties or a reduction in demand for real estate in the area), the attractiveness of properties to potential tenants or purchasers, competition with other landlords with similar available space, and the ability of the owner to provide adequate maintenance at competitive costs.

Our properties generate income primarily through rent payments made by our tenants. Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced for a number of reasons. Furthermore, the terms of any subsequent lease may be less favourable than the existing lease. Our cash flows and financial position would be adversely affected if our tenants were to become unable to meet their obligations under their leases or if a significant amount of available space in our properties was not able to be leased on economically favourable lease terms. In the event of default by a tenant, we may experience delays or limitations in enforcing our rights as lessor and incur substantial costs in protecting our investment. Furthermore, at any time, a tenant may seek the protection of bankruptcy, insolvency or similar laws which could result in the rejection and termination of the lease of the tenant and, thereby, cause a reduction in the cash flows available to us.

An investment in real estate is relatively illiquid. Such illiquidity will tend to limit our ability to vary our portfolio promptly in response to changing economic or investment conditions. In recessionary times it may be difficult to dispose of certain types of real estate. The costs of holding real estate are considerable and during an economic recession we may be faced with ongoing expenditures with a declining prospect of incoming receipts. In such circumstances, it may be necessary for us to dispose of properties at lower prices in order to generate sufficient cash for operations. Certain significant obligations, including property taxes, maintenance costs, insurance costs and related charges must be made regardless of whether or not a property is producing sufficient income to pay such expenses.

### **A Significant Number of Leases Have a One Year Term**

The majority of the Company's leases are for a term of one year. Upon expiry of the leases there can be no assurance that they will be renewed or that the tenants will be replaced. If a significant number of such leases are not renewed or the tenants replaced the Company's cash flows, operating results financial condition could be materially and adversely affected.

### **Substantial Capital Requirements**

The Corporation's current capital and other existing financial resources may not be sufficient to enable it to execute the current business plan. The Corporation may not have funds sufficient for any initial investments the Corporation might want to undertake. Currently, the Corporation is generating only limited revenues. The Corporation will require additional capital to continue to operate its business beyond the initial phase. The Corporation may be unable to obtain the additional capital required. Furthermore, inability to obtain capital may damage its reputation and credibility with industry participants in the event the Corporation cannot close any previously agreed upon transactions.

The Corporation will require additional capital in the near term and the Corporation plans to pursue sources of such capital through various financing transactions or arrangements, including joint venturing



of projects, debt financing, equity financing or other means. The Corporation may not be successful in locating suitable financing transactions in the time period required or at all, and the Corporation may not obtain the capital it requires by other means. Although improving considerably, the turmoil in the world capital markets over the past couple of years has made it difficult for companies to raise funds. If the Corporation does succeed in raising additional capital, the capital received may not be sufficient to fund its operations going forward without obtaining further, additional capital financing. Furthermore, future financings are likely to be dilutive to the Corporation's shareholders, as the Corporation is likely to issue additional Common Shares or other equity to investors in future financing transactions. In addition, debt and other mezzanine financing may involve a pledge of assets and may be senior to interests of equity holders. The Corporation may incur substantial costs in pursuing future capital financing, including investment banking fees, legal fees, accounting fees, securities law compliance fees, printing and distribution expenses and other costs. The Corporation may also be required to recognize non-cash expenses in connection with certain securities the Corporation may issue, such as convertibles and warrants, which will adversely impact its financial results.

### **Growth Management**

The Corporation's strategy envisions building and expanding its current business. If the Corporation fails to effectively manage its growth, its financial results could be adversely affected. Growth may place a strain on management systems and resources. To continue to refine and expand the Corporation's business development capabilities, systems and processes, and access to financing sources the Corporation may hire, train, supervise and manage new employees. The Corporation cannot assure investors that the Corporation will be able to:

- expand our systems effectively or efficiently or in a timely manner;
- optimally allocate our human resources;
- identify and hire qualified employees or retain valued employees; or
- incorporate effectively the components of any business that the Corporation may acquire in its effort to achieve growth.

If the Corporation is unable to manage its growth and operations, its financial results could be adversely affected by inefficiency, which could diminish profitability.

An active market for Common Shares may not continue.

There currently is a limited public market for the Corporation's Common Shares. Further, although the Corporation's Common Shares are currently quoted on the OTCBB and trade on the TSXV, trading of our Common Shares may be sporadic. As a result, an investor may find it difficult to dispose of, or to obtain accurate quotations of the price of the Common Shares. This may severely limit the liquidity of the Corporation's Common Shares, and would likely have a material adverse effect on the market price of the Corporation's Common Shares and the Corporation's ability to raise additional capital.

If securities analysts do not initiate coverage or continue to cover our Common Shares or publish unfavourable research or reports about the Corporation's business, this may have a negative impact on the market price of the Corporation's Common Shares.

The trading market for the Corporation's Common Shares may be affected by, among other things, the research and reports that securities analysts publish about the Corporation's business and the Corporation. The Corporation does not have any control over these analysts. There is no guarantee that securities analysts will cover the Corporation's Common Shares. If securities analysts do not cover the Corporation's Common Shares, the lack of research coverage may adversely affect MGG's market price. If the Corporation is covered by securities analysts, and the Corporation's stock is the subject of an unfavourable report, the Corporation's stock price and trading volume would likely decline. If one or more of these analysts ceases to cover the Corporation or fails to publish regular reports on the

Corporation, the Corporation could lose visibility in the financial markets, which could cause the Corporation's stock price or trading volume to decline.

Shareholders may experience dilution of ownership interests because of the future issuance of additional Common Shares.

In the future, the Corporation may issue the Corporation's authorized but previously unissued equity securities, resulting in the dilution of the ownership interests of present Shareholders and the purchasers of the Common Shares. The Corporation is authorized to issue an unlimited number of Common Shares and an unlimited number of Preferred Shares with preferences and rights to be determined by the Board. As at December 31, 2014, there were 34,848,745 Common Shares and nil Preferred Shares issued and outstanding. Also at December 31, 2014, the Corporation had 2,448,000 Options outstanding. The Corporation may also issue additional Common Shares or other securities that are convertible into or exercisable for Common Shares in connection with hiring or retaining employees, future acquisitions, future sales of its securities for capital raising purposes, or for other business purposes. The future issuance of any such additional Common Shares may create downward pressure on the trading price of the Common Shares. The Corporation will need to raise additional capital in the near future to meet the Corporation's working capital needs and there can be no assurance that the Corporation will not be required to issue additional shares, warrants or other convertible securities in the future in conjunction with these capital raising efforts. The issuance of certain securities shall not be lower than the Discounted Market Price.

The Corporation does not anticipate dividends to be paid on the Corporation's Common Shares, and investors may lose the entire amount of their investment.

Cash dividends have never been declared or paid on the Corporation's Common Shares, and the Corporation does not anticipate such a declaration or payment for the foreseeable future. The Corporation expects to use future earnings, if any, to fund business growth. Therefore, Shareholders will not receive any funds absent a sale of their shares. The Corporation cannot assure Shareholders of a positive return on their investment when they sell their shares, nor can the Corporation assure that Shareholders will not lose the entire amount of their investment.

### **Environmental Contamination on Properties**

The Corporation's properties may contain ground contamination, hazardous substances, and/or other residual pollution and environmental risks. Buildings and their fixtures might contain asbestos or other hazardous substances such as polychlorinated biphenyl, dichlordiphenyltrichlorethane, pentachlorophenol or lindane above the allowable or recommended thresholds, or the buildings could bear other environmental risks.

The Corporation bears the risk of cost-intensive assessment, remediation or removal of such ground contamination, hazardous substances or other residual pollution. The discovery of any such residual pollution on the sites and/or in the buildings, particularly in connection with the lease or sale of properties or borrowing using the real estate as security, could trigger claims for rent reductions or termination of leases for cause, for damages and other breach of warranty claims against us. The remediation of any pollution and the related additional measures we would have to undertake could negatively affect us and could involve considerable additional costs that we may have to bear. We are also exposed to the risk that recourse against the polluter or the previous owners of the properties might not be possible, for example, because they cannot be identified, no longer exist or have become insolvent. Moreover, the existence or even the mere suspicion of the existence of ground contamination, hazardous materials or other residual pollution can negatively affect the value of a property and the Corporation's ability to lease or sell such a property.

The Corporation is subject to various federal, state and municipal laws relating to environmental matters. Such environmental laws impose actual and contingent liabilities on us to undertake remedial action on contaminated sites and in contaminated buildings. These obligations may relate to sites we currently own or operate, sites we formerly owned or operated or sites where waste from the Corporation's operations has been deposited. Furthermore, actions for damages or remediation measures may be brought against us. The costs of any removal, investigation or remediation of any residual pollution on such sites or in such buildings as well as costs related to legal proceedings, including potential damages, regarding such matters may be substantial, and it may be impossible, for a number of reasons, for us to have recourse against a former seller of a contaminated site or building or the party that may otherwise be responsible for the contamination. Laws and regulations, as may be amended over time, may also impose liability for the release of certain materials into the air or water from a property, including asbestos, and such release could form the basis for liability to third persons for personal injury or other damages. In addition, if the Corporation's officers or employees infringe or have infringed environmental protection laws, we could be exposed to civil or criminal damages. We may be required to provide for additional reserves to sufficiently allocate toward the Corporation's potential obligations to remove and dispose of any hazardous and toxic substances. Any such event could have a material and adverse effect on the Corporation's cash flows, financial condition and results of operations.

We make the necessary capital and operating expenditures to ensure compliance with environmental laws and regulations. Although there can be no assurances, we do not believe that costs relating to environmental matters will have a material adverse effect on the Corporation's investments, financial condition or results of operations or distributions. However, environmental laws and regulations can change and we may become subject to more stringent environmental laws and regulations (or more stringent enforcement or administration of existing legislation) in the future.

### **Risks Related to the Nature of the Corporation's Business and Stage of Development**

There are numerous factors which may affect the success of the Corporation's business which are beyond the Corporation's control, including local, national and international economic, legal and political conditions. The Corporation's future business may involve a high degree of risk which a combination of experience, knowledge and careful evaluation may not overcome. Current or future operations of the Corporation in developing countries expose the Corporation to, among other things, political and currency risks.

### **Loss of any of the Corporation's Executive Officers**

The Corporation is highly dependent upon its executive officers, and the success of the Corporation will be largely dependent upon the performance of such officers. In particular, the Corporation's Chief Executive Officer, Executive Chairman, Harris Kupperman is central to the future development of the business of the Corporation. At present he is not covered by key-man life insurance policies and there are no plans to obtain such policies. In assessing the risk of an investment in the Corporation, potential investors should recognize that they are relying on the ability and integrity of the Management of the Corporation. Further, potential investors should understand that the directors and officers of the Corporation, or other persons who in the future may work for or with the Corporation, may not devote all of their time to the activities of the Corporation.

### **Economic and Geopolitical Uncertainty**

The market for any of the Corporation's future products and/or services depends on economic and geopolitical conditions affecting the broader market. Economic conditions are beyond the Corporation's control. In addition, acts of terrorism and the outbreak of hostilities and armed conflicts between countries can create geopolitical uncertainties that may affect the global economy. Downturns in the economy or geopolitical uncertainties may cause potential future customers to delay or cancel projects, reduce their overall capital or operating budgets, reduce or cancel insurance coverage, reduce rental

space requirements, cancel leases, or in other ways negatively impact the Corporation's business, results of operations and financial condition.

### **Potential Losses May Not be Covered by Insurance**

The Corporation may or may not be insured against potential risks related to its future operations, and there can be no assurance that such insurance will be adequate to cover any losses or exposure for liability. The occurrence of a significant unfavourable event not fully covered by insurance, or not honored by the Corporation's insurer or re-insurer, could have a material adverse effect on the Corporation's financial condition, results of operations or cash flows, as could a situation where the Corporation is covered by a policy, but the insurer does not pay the claim. Furthermore, the Corporation cannot predict whether insurance will be available in the future at reasonable cost or at all.

### **Force Majeure or Natural Event beyond the Corporation's Control**

The Corporation may be negatively affected by the occurrence of natural events that happen in the places of the Corporation's business interests and abroad. Such events include but are not limited to earthquakes, floods, fire, plague and other natural disasters that are beyond the Corporation's control. There can be no assurance that the Corporation can effectively insure against these risks at a reasonable cost, if at all, or that the Corporation will be fully indemnified by any such insurance in the event that such risks materialize.

### **Labour or other Unplanned Disruptions**

The Corporation relies on staff, contractors, sub-contractors and other agents in the acquisition, management and redevelopment of its properties. If there is a material disagreement between the Corporation and any of these individuals, or groups of these individuals, the Corporation's operations could suffer an interruption that could have a material adverse effect on the Corporation's business, results of operations and financial condition.

### **Future Litigation**

From time to time, the Corporation may be subject to litigation arising out of its operations. Damages claimed under such litigation may be material or may be indeterminate, and the outcome or process of such litigation may materially impact the Corporation's business, results of operations and financial condition. While the Corporation will assess the merits of each lawsuit and defend itself accordingly, it may be required to incur significant expense or devote significant resources to defending itself against such litigation. In addition, the adverse publicity surrounding any such claims may have a material adverse effect on the Corporation's business, results of operations and financial condition.

## **RISKS RELATING TO THE COUNTRIES IN WHICH THE CORPORATION PLANS TO OPERATE IN**

### **The Corporation May Not be Able to Operate in Mongolia**

The Corporation may face economic barriers that effectively prohibit it from continuing effective operations in Mongolia. These barriers may include, among other things, exorbitant business, license and operating fees relating to the start-up and continuing operation of the Corporation's business interests.

### **Changes in Foreign Economic, Political and Social Conditions**

The Corporation's future interests in Mongolia are always at risk to changes in government policies that may be aimed at discouraging foreign investment or to nationalize companies or industries. Governments may implement business and development restrictions or requirements not currently foreseen. There is no assurance that provisions under Mongolian law for compensation and reimbursement of losses to investors under such circumstance would be effective to restore the full

value of the Corporation's original investment or to compensate for the loss of the future value of Mongolian projects. The Corporation's future interests in Mongolia may be affected in varying degrees by, among other things, price controls, income taxes and environmental legislation. There can be no assurance that Mongolian laws protecting foreign investments will not be amended or abolished or that existing laws will be enforced or interpreted to provide adequate protection against any or all of the risks described above.

The Corporation's operations may also be affected in varying degrees by, among other things, political, economic and social instability, economic or other sanctions imposed by other nations, terrorism, military repression, extreme fluctuations in currency exchange rates and high inflation.

The Corporation may also be negatively affected by criminal activities including but not limited to corruption by government and non-government persons and groups of persons including but not limited to unofficial political organizations such as local gangs or other bodies.

The Corporation cannot guarantee that the Mongolian government will not implement laws, including tax laws, or policies specific to the Corporation, or specific to the industries that the Corporation operates in or is dependent upon, that may limit the Corporation's ability to operate effectively, if at all, and to remove any of the profits raised, if any, from Mongolia.

Any changes in regulations or shifts in political and social attitudes and conditions are beyond the control of the Corporation and may negatively affect its business interests.

### **Foreign Subsidiaries and Repatriation of Earnings**

The Corporation operates through Mongolian subsidiaries. Accordingly, any limitation on the transfer of cash or other assets between the parent corporation and such entities, or among such entities, could restrict the Corporation's ability to fund its operations efficiently. Any such limitations, or the perception that such limitations may exist now or in the future, could have an adverse impact on the Corporation's valuation and stock price. There is no assurance that Mongolia, or any other foreign country in which the Corporation may operate in the future will not impose restrictions on the repatriation of earnings to foreign entities or additional taxes.

Mongolian regulations require the State Administration of Exchange Control to approve the remittance of certain types of income out of Mongolia. The Corporation, therefore, may be unable to repatriate its earnings. If the Corporation is unable to repatriate its earnings from Mongolia, it may lose its investment.

Mongolian regulations provide that, subject to payment of applicable taxes, foreign investors may remit out of Mongolia, in foreign exchange, profits or dividends derived from a source within Mongolia. Remittance by foreign investors of any other amounts (including, for instance, proceeds of sale arising from a disposal by a foreign investor of any of his investment in Mongolia) out of Mongolia is subject to the approval of the State Administration of Exchange Control or its local branch office. No assurance can be given that such approval would be granted if the Corporation disposes of all or part of its interest in its Mongolia projects. Further, there can be no assurance that additional restrictions on the repatriation of earnings in Mongolia will not be imposed in the future.

### **The Corporation May or May Not have Political Risk Insurance**

From time to time, the Corporation may assess the costs and benefits of obtaining or maintaining political risk insurance covering future investments in Mongolia. At any time the Corporation may choose not to obtain such insurance. Furthermore, there can be no assurance that such insurance would be available at any time or that particular losses that the Corporation may suffer with respect to its investment in Mongolia will be covered by the insurance.

## **Foreign Exchange, Interest Rate and Inflation Risks**

The Corporation's revenues may be paid in various international currencies. The Corporation may convert funds to foreign currencies as its payment obligations become due. Part of the Corporation's future costs will likely be incurred in the currency of Mongolia. The Corporation's accounts are prepared in Canadian dollars and dividends, if paid, will be paid in Canadian dollars. Accordingly, the Corporation is subject to inflation in the countries in which it may operate in the future and fluctuations in the rates of currency exchange between the Canadian dollar and these currencies, and such fluctuations may materially affect the Corporation's business, results of operations and financial condition.

Consequently, costs related to the development, implementation and operation of the Corporation's business plans may be higher than the Corporation anticipates. Any increase in relevant interest rates will increase the amount the Corporation pays to service any debts which may be incurred, now or in the future.

Interpretation and application of the laws and regulations of the countries in which the Corporation operates can be uncertain and could adversely affect the Corporation.

Some of the jurisdictions in which the Corporation intends to operate may have less developed legal systems than more established economies which may result in risks such as:

- (i) effective legal redress in the courts of such jurisdictions, whether in respect of a breach of law or regulation, or, in an ownership dispute, being more difficult to obtain;
- (ii) a higher degree of discretion on the part of governmental authorities;
- (iii) the lack of judicial or administrative guidance in interpreting applicable rules and regulations;
- (iv) inconsistencies or conflicts between and within various laws (including tax laws), regulations, decrees, orders and resolutions; and/or
- (v) relative inexperience of the judiciary and courts in such matters.

Enforcement of laws in some of the jurisdictions in which the Corporation may operate could depend on and be subject to the interpretation placed upon such laws by the relevant local authority, and such authority may adopt an interpretation of an aspect of local law which differs from the advice that has been given to the Corporation. There can be no assurance that contracts, joint ventures, licences, licence applications or other legal arrangements will not be adversely affected by the actions of government authorities and the effectiveness of and enforcement of such arrangements in these jurisdictions.

In certain jurisdictions, the commitment of local businesses, government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be more uncertain and may be susceptible to revision or cancellation, and legal redress may be uncertain or delayed.

## **Compliance with the Regulatory Regimes of the Countries in which it Operates**

The Corporation may be subject to various government laws and regulations. There can be no assurance that the actions of present or future governments in Canada and Mongolia, or of governments of other countries in which the Corporation may operate in the future, will not materially adversely affect the business and financial condition of the Corporation.

## **Management of the Corporation may Reside Outside of Canada**

In the event that Management of the Corporation resides outside of Canada or the Corporation engages in commercial relationships with foreign entities, investors may find it difficult or impossible to effect service or notice to commence legal proceedings upon any Management resident outside of Canada or upon the foreign entity and may find it difficult or impossible to enforce against such persons or entities, judgments obtained in Canadian courts.



## Corruption

The Corporation is governed by the laws of multiple jurisdictions, which generally prohibit bribery and other forms of corruption. It is possible that the Corporation, or some of its employees or contractors, could be charged with bribery or corruption. The Corporation has policies and procedures in place that prohibit activities such as these and requires all employees and contractors to read these policies and procedures and acknowledge their understanding and compliance on an annual basis. However, if the Corporation is found guilty of such a violation, which could include a failure to take effective steps to prevent or address corruption by its employees or contractors, the Corporation could be subject to onerous penalties. A mere investigation itself could lead to significant corporate disruption, high legal costs and forced settlements (such as the imposition of an internal monitor). In addition, bribery allegations or bribery or corruption convictions could impair the Corporation's ability to work with governments or nongovernmental organizations. Such convictions or allegations could result in the formal exclusion of the Corporation from a country or area, national or international lawsuits, government sanctions or fines, project suspension or delays, reduced market capitalization and increased investor concern.

## RISKS RELATING TO THE COMMON SHARES

### Uncertainties Exist as to the Market Price and Liquidity of the Common Shares

There can be no assurance that an active and liquid market for the Corporation's Common Shares will develop and an investor may find it difficult to resell its Common Shares.

### Controlling Shareholder(s) of the Corporation will Exercise Significant Control Over the Affairs of the Corporation

A small number of shareholders hold a majority of the Common Shares. As at the date of this Annual Information Form, the Corporation's officers, directors, principal shareholders and their affiliates beneficially own or control, directly or indirectly, approximately 5,400,950 Common Shares, which in the aggregate represents approximately 15.2% of the Corporation's outstanding Common Shares. As a result, if some or all of these shareholders act together, they will have the ability to control certain matters submitted to the Corporation's shareholders for approval, including amendments to the Corporation's Notice of Articles and the approval of any business combination. This may delay or prevent an acquisition of the Corporation. These shareholders may have interests that differ from those of other shareholders.

### Global Financial Developments

Global financial markets have experienced a sharp increase in volatility in the last several years. This has been, in part, the result of the revaluation of assets on the balance sheets of international financial institutions and related securities. This has contributed to a reduction in liquidity among financial institutions and has reduced the availability of credit to those institutions and to the issuers who borrow from them. While central banks as well as foreign governments are attempting to restore much needed liquidity to the global economy, no assurance can be given that the combined impact of the significant revaluations and constraints on the availability of credit will not continue to materially and adversely affect the economies of various countries around the world. No assurance can be given that this stimulus will continue or that, if it continues, it will be successful or these economies will not be adversely affected by the inflationary pressures resulting from such stimulus or central banks' efforts to slow inflation. These market conditions and further volatility in capital markets may also adversely affect the prospects of the Corporation.

### Capital Markets are Volatile

Securities markets throughout the world are cyclical and, over time, tend to undergo high levels of price and volume volatility, particularly those with interests in emerging markets. The market price of securities of many companies can experience wide fluctuations which are not necessarily related to the operating

performance, underlying asset value or prospects of such companies. Increased levels of volatility and resulting market turmoil could adversely affect the market price of the Corporation's securities.

## Dividends

The Corporation has never paid a dividend nor made a distribution on any of its securities. Further, the Corporation may never achieve a level of profitability that would permit payment of dividends or making other forms of distributions to security holders. In any event, given the stage of The Corporation's development, it will likely be a long period of time before The Corporation could be in a position to make dividends or distributions to its investors. Any decision to pay dividends on the Common Shares will be made by the board of directors of the Corporation on the basis of the Corporation's earnings, financial requirements and other conditions existing at such future time. In this regard, the Corporation currently intends to retain earnings to finance expansion of its business and does not anticipate paying dividends in the foreseeable future. See "Dividend Record".

## DESCRIPTION OF SHARE CAPITAL

The authorized capital of the Corporation consists of an unlimited number of Common Shares and an unlimited number of preferred shares. The Corporation's Articles have been filed on SEDAR at [www.sedar.com](http://www.sedar.com).

### Common Shares

At April 30, 2015, there were 35,489,436 Common Shares of the Corporation issued and outstanding. All Common Shares have been issued as fully paid and non-assessable. The holders of Common Shares are entitled to dividends if, as and when declared by the Board, to one vote per Common Share at any meeting of the shareholders of the Corporation and, upon liquidation, to receive all assets of the Corporation as are distributable to the holders of Common Shares.

### Preferred Shares

There are currently no issued or outstanding Preferred Shares of the Corporation.

## Dividends

The Corporation has not declared or paid any dividends on the Common Shares. Any decision to pay dividends on such shares in the future will be made by its Board on the basis of the Corporation's earnings, financial requirements and other conditions existing at such future time. It is the current intention of the Corporation not to pay any dividends in the near future.

## MARKET FOR SECURITIES

### Trading Price and Volume

The Common Shares have been listed and posted for trading on the TSXV since January 9, 2013 under the trading symbol "YAK". The following table sets out the price range for, and trading volume of, the Common Shares as reported by the TSXV since January 2014:

	Trading Price		Volume Traded
	High	Low	# of shares
April 2015	1.28	0.70	1,516,924
March 2015	0.79	0.65	427,344
February 2015	0.8	0.64	1,112,822
January 2015	0.75	0.61	864,426
December 2014	0.75	0.68	1,869,402
November 2014	1.75	1.12	1,153,544
October 2014	2.03	1.4	690,454
September 2014	2.45	1.78	1,233,829
August 2014	2.53	2.33	314,845



July 2014	2.70	2.37	305,678
June 2014	2.70	2.31	337,573
May 2014	2.86	2.34	759,977
April 2014	2.95	2.55	237,057
March 2014	3.05	1.90	630,424
February 2014	2.14	1.76	509,856
January 2014	2.30	1.83	511,180

## PRIOR SALES

The following table summarizes the issuances of Common Shares or securities convertible into Common Shares for the financial year ended December 31, 2014.

Date of Issuance	Securities	Number of Securities	Price per Security
31-Mar-14	Common Shares	125,000	\$2.00
3-Mar-14	Stock Options	1,128,000	\$1.90
15-Dec-14	Stock Options	375,000	\$1.09

The following table summarizes the Common Shares or securities convertible into Common Shares outstanding December 31, 2014.

Outstanding as at December 31, 2014	Number of Securities
Common Shares	34,848,745
Options	2,448,000

## ESCROWED SECURITIES

The following table sets forth the number of securities of each class of securities of the Corporation held, to the knowledge of the Corporation, in escrow or that are subject to a contractual restriction on transfer, and the percentage that number represents of the outstanding securities of that class as at December 31, 2014. Escrowed securities are considered any securities held by principals of the Corporation. In addition, certain securities issued for nominal value must be escrowed regardless of whether such securities are held by principals of the Corporation.

Designation of Class	Number of securities held in escrow or that are subject to a contractual restriction on transfer <sup>(1)</sup>	Percentage of Class
Common Shares	0 Common Shares	0.0%
Options	0 Options	0.0%

## DIRECTORS AND OFFICERS OF THE CORPORATION

The name, municipality of residence and principal occupation for the last five years of each of the Directors and Executive Officers of the Corporation as of April 30, 2015 are as follows:

Name, Place of Residence and Position Held with the Corporation	Principal Occupation for the Past Five Years	Date First Appointed as an Officer / Director	Common Shares Held	Number of Options	% of total Common Shares held
<b>Harris Kupperman</b> Chairman and CEO	Mr. Kupperman is a co-founder of Mongolia Growth Group. Mr. Kupperman was the President	2-Feb-11	5,155,000	313,000	14.5%

Miami, FL, USA	and CEO of the Corporation from February 2011 to March 2014, where he stepped down as CEO to continue his role as Executive Chairman, then returned as CEO in December 2014. Mr. Kupperman publishes AdventuresInCapitalism.com; a site dedicated to uncovering unique opportunities around the world. He spent 10 years as President of Praetorian Capital, a macro themed small cap focused hedge fund based in Miami. He graduated from Tulane University College with a history degree. Mr. Kupperman served as a Director at Aeroquest International Limited (TSX:AQL) from 2010-2011.				
<b>Nick Cousyn</b> <sup>2</sup> Director	Mr Cousyn is a Capital Markets' professional with 15 years of alternatives and traditional industry experience. Before moving to Mongolia, Mr. Cousyn was a licensed securities professional in the U.S. with extensive experience in relationship management and trading which spanned equities, fixed income, derivatives and distressed debt. While based in the US, some of the firms he worked for included Deutsche Bank, Banque Populaire, Wells Fargo and First Horizon National Bank. Since 2012, Mr. Cousyn has served as Chief Operating Officer and head of research for BDBSec (MO:BDS), Mongolia's largest broker and investment bank. Mr. Cousyn also serves as Co-Chair of the Business Council of Mongolia Capital Market Working Group and is a Senior Council Member and guest lecturer at Mongolia's Institute for Finance and Economics. Mr. Cousyn holds a BA in Economics from the University of California at Riverside.	15-Dec-14	0	150,000	0.0%
Ulaanbaatar, Mongolia					
<b>Jim Dwyer</b> <sup>1</sup> MBA Director	Mr. Dwyer was a New York-based investment banker specializing in mergers and acquisitions for 30 years and completed over 100 M&A transactions. In addition, he founded and managed M&A departments for two major investment banking firms: Shearson Loeb Rhoades and UBS-North America. Mr. Dwyer first visited Mongolia in 2001 to represent the Government of Mongolia as lead investment banker for the privatization of its largest bank, Trade & Development Bank. Thereafter, he served as lead investment banker for the privatization of the largest Government-owned retail bank, Khan Bank. He co-founded the Business Council of Mongolia (BCM) and has served as Executive Director since its formation, in August 2007. BCM is a Mongolian non-government organization (NGO) and a leading advocacy effort representing approximately 250 business stakeholders in Mongolia, including foreign and Mongolian corporations. Mr. Dwyer received his MBA from Columbia Graduate School of Business (Columbia University).	15-Dec-14	0	150,000	0.0%
Ulaanbaatar, Mongolia					
<b>Brad Farquhar</b> <sup>23</sup> Director	Mr. Farquhar is Executive Vice-President and Chief Financial Officer of Input Capital Corp. (TSXV: INP), the world's first agricultural streaming company. He also serves in a similar capacity at Assiniboia Capital Corp., which manages a 140,000 acre portfolio of farmland on behalf of one of the world's largest institutional investors. In addition, Mr. Farquhar is President of Nomad Mongolia LP, an investment partnership that invests in Mongolian public companies, including MGG. Mr. Farquhar is a trained financial planner and has completed the Canadian Securities Course of the Canadian Securities Institute. He received a MPA in Electoral Governance from Griffith University in Australia, studied political science at Carleton University, and completed a BA at Providence College. Mr. Farquhar is a Director of Input Capital Corp, Greenfield Carbon Offsetters Inc., on the advisory	15-Dec-14	54,400	150,000	0.2%
Regina, Saskatchewan					

board of AgFunder.com and Chair of the board of directors of SIM Canada..

<p><b>Byambaa Losolsuren</b> <sup>1</sup> Director Ulaanbaatar, Mongolia</p>	<p>Mrs. Losolsuren is a founder and CEO of the Trend Capital LLC, investment advisory firm. In the past, she was one of the key partners at UMC to launch and build Mandal financial services group being in charge of asset management arm. She managed three local investment funds under Mandal Asset Management. Ms.Losolsuren worked on investment deals in finance, health, IT, urban development and financial services industries. She holds extensive experience in the Mongolian finance industry having worked for the Asian Development Bank as an investment officer and as a consultant to the Financial Regulatory Commission (FRC) in Mongolia. She was instrumental in drafting of the Investment Fund law of Mongolia, which was successfully passed by the Parliament in 2013. Ms.Losolsuren also serves as an independent director of the Mongolian Mortgage Corporation SPV and local insurance company. Also currently member of the Economic Council at the Prime Minister of Mongolia and a Director of the Investment and Finance Research Center. Columnist at the Mongolian Economy journal. She holds a BA from the National University of Mongolia, and MBA degree from Waseda University, Japan.</p>	25-April-11	0	150,000	0.0%
<p><b>Rob Scott</b> <sup>12</sup> Director Vancouver, Canada</p>	<p>Mr. Scott, CA, CFA brings more than 20 years of professional experience in corporate finance, accounting and merchant and commercial banking. Mr. Scott earned his CFA in 2001, his CA designation in 1998 and has a B.Sc. from the University of British Columbia. He is a Founder and President of Corex Management Inc., a private company providing accounting, administration, and corporate compliance services to privately held and publicly traded companies. He has served on the management teams and boards of numerous Canadian resource companies with a strong track record of cost effectively running operations. Mr. Scott has also listed several companies on the TSX-V gaining extensive IPO, RTO, regulatory and reporting experience. Mr. Scott is currently the CFO of Riverside Resources (TSXV: RRI) and on the board of Entourage Metals (TSXV: EMT). In addition, Mr. Scott is a co-founder and director of privately held, Pan American Hydro Corporation, a developer of small hydro projects in Latin America.</p>	25-Apr-11	27,500	150,000	0.00%
<p><b>Talha Siddiqui</b> Interim Chief Financial Officer Ulaanbaatar, Mongolia</p>	<p>Interim Chief Financial Officer of the Corporation since March 2014. Previously, Mr. Siddiqui was the controller of the Corporation's property subsidiary. Prior to this, Mr. Siddiqui was with KPMG in Malaysia</p>	1-Mar-14	0	50,000	0.00%
<p><b>Genevieve Walkden,</b> <b>MBA, CFP, CAIA</b> Corporate Secretary and VP Finance Toronto, Canada</p>	<p>Ms. Walkden has been with Mongolia Growth Group since February 2011. Previously, she held roles in operations and corporate development. Ms. Walkden completed her MBA at the University of Iowa, USA. She is also a Certified Financial Planner (CFP) and a Chartered Alternative Investment Analyst (CAIA). In addition, Ms. Walkden is certified in Black Belt Six Sigma.</p>	3-June-14	164,050	415,000	0.5%

**Notes:**

As at April 30, 2015, the directors and executive officers of the Corporation, as a group, beneficially owned, directly or indirectly, or exercised control or direction over 5,400,950 Common Shares, constituting approximately 15.2% of the issued and 35,489,436 Common Shares.

Each director's term expires at the close of the next annual meeting of the shareholders of the Corporation, unless re-elected.

1. Member of the Audit Committee of the Corporation. See "Audit Committee".
2. Member of the Compensation Committee of the Corporation.
3. 50,000 of Mr. Farquhar's Common Shares are indirectly held by Nomad Mongolia LP, where Mr. Farquhar is a General Partner and controls 100% of the shares.

### **Cease Trade Orders**

To the knowledge of Management of the Corporation, other than as disclosed herein, no director or executive officer is, as at the date hereof, or was within 10 years before the date of this annual information form a director, chief executive officer or chief financial officer of any company (including the Corporation) that:

- (a) was subject to an order that was issued while the director or executive officer was acting in capacity as director, chief executive officer or chief financial officer;
- (b) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

For the purposes hereof, "order" means (a) a cease trade order, (b) an order similar to a cease trade order, or (c) an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days.

### **Bankruptcies**

To the knowledge of Management of the Corporation, no director or executive officer of the Corporation, or a shareholder holding a sufficient number of securities of the Corporation to affect materially the control thereof:

- (a) is, as at the date of this Annual Information Form or has been within the 10 years before the date hereof, a director or executive officer of any company (including the Corporation) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (b) has, within the 10 years before the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

### **Penalties and Sanctions**

To the knowledge of Management of the Corporation, no director or executive officer or shareholder holding a sufficient number of Common Shares to affect materially the control of the Corporation, has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

## **Conflicts of Interest**

To the knowledge of the Corporation none of the directors or officers of the Corporation, has or has had any material interest in any transaction since the commencement of the Corporation's most recently completed financial year or in any proposed transactions which has materially affected or would materially affect the Corporation.

There are potential conflicts of interest to which the directors and officers of the Corporation will be subject in connection with the operations of the Corporation. Conflicts, if any, will be subject to the procedures and remedies available under the ABCA. The ABCA provides that in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided by the ABCA. In addition, the directors and officers are required to act honestly and in good faith with a view to the best interests of the Corporation. Certain of the directors of the Corporation have either other employment or other business or time restrictions placed on them and accordingly, these directors of the Corporation will only be able to devote part of their time to the affairs of the Corporation.

## **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

### **Legal Proceedings**

To the knowledge of the Management of the Corporation, there are no outstanding legal proceedings material to the Corporation to which the Corporation is a party or in respect of which any of its properties are subject, nor are there any such proceedings known to be contemplated.

### **Regulatory Actions**

To the knowledge of Management of the Corporation, no penalties or sanctions have been imposed by a court relating to securities legislation or by a securities regulatory body or by any other court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision, nor have any settlement agreements been entered into by the Corporation with a court relating to securities legislation or with a securities regulatory authority during the most recently completed financial year.

## **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Except for Harris Kupperman, Executive Chairman of the Corporation, who holds 14.5% of the Common Shares of the Corporation, to the knowledge of Management there are no material interests, direct or indirect, of any of the directors or executive officers of the Corporation, any person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10% of any class or series of outstanding voting securities of the Corporation or any associate or affiliate of such persons or companies in any transaction during the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect the Corporation.

## **TRANSFER AGENT AND REGISTRAR**

The transfer agent and registrar for the Common Shares is Computershare Investor Services 100 University Ave., 8th Floor Toronto, Ontario, M5J 2Y1.

## **MATERIAL CONTRACTS**

The Corporation did not enter into any material contracts outside the ordinary course of business within the most recently completed financial year or prior thereto which contracts are still in effect.

### **INTERESTS OF EXPERTS**

PricewaterhouseCoopers LLP has confirmed that it is independent of the Corporation in accordance with the relevant rules and related interpretation prescribed by the Institute of Chartered Accountants of Manitoba.

CBRE prepared the investment property valuation report for the Corporation's annual financial statements as at and for the year ended December 31, 2014. CBRE is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

### **ADDITIONAL INFORMATION**

Additional information relating to the Corporation may be found on SEDAR at [www.sedar.com](http://www.sedar.com). Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities and securities authorized for issuance under equity compensation plans, if applicable, will be contained in the Corporation's information circular dated May 11, 2015. Additional financial information will be provided in the Corporation's consolidated financial statements and MD&A for the year ended December 31, 2014.

**APPENDIX “A”**  
**AUDIT COMMITTEE**  
**MANDATE AND TERMS OF REFERENCE**

Our Audit Committee Charter outlines the specific roles and duties of the Committee’s members.

**GENERAL FUNCTIONS, AUTHORITY, AND ROLE**

The Audit Committee is a Committee of the Board of Directors appointed to assist the Board in monitoring (1) the integrity of the financial statements of the Corporation, (2) compliance by the Corporation with legal and regulatory requirements related to financial reporting, (3) qualifications, independence and performance of the Corporation’s independent auditors, and (4) performance of the Corporation’s internal controls and financial reporting process.

The Audit Committee has the power to conduct or authorize investigations into any matters within its scope of responsibilities, with full access to all books, records, facilities and personnel of the Corporation, its auditors and its legal advisors. In connection with such investigations or otherwise in the course of fulfilling its responsibilities under this charter, the Audit Committee has the authority to independently retain special legal, accounting, or other consultants to advise it, and may request any officer or employee of the Corporation, its independent legal counsel or independent auditor to attend a meeting of the Audit Committee or to meet with any members of, or consultants to, the Audit Committee. The Audit Committee also has the power to create specific sub-committees with all of the investigative powers described above.

The Corporation’s independent auditor is ultimately accountable to the Board of Directors and to the Audit Committee; and the Board of Directors and Audit Committee, as representatives of the Corporation’s shareholders, have the ultimate authority and responsibility to evaluate the independent auditor, and to nominate annually the independent auditor to be proposed for shareholder approval, and to determine appropriate compensation for the independent auditor. In the course of fulfilling its specific responsibilities hereunder, the Audit Committee must maintain free and open communication between the Corporation’s independent auditors, Board of Directors and Management. The responsibilities of a member of the Audit Committee are in addition to such member’s duties as a member of the Board of Directors.

While the Audit Committee has the responsibilities and powers set forth in this charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Corporation’s financial statements are complete, accurate, and in accordance with Generally Accepted Accounting Principles. This is the responsibility of management and the independent auditor. Nor is it the duty of the Audit Committee to conduct investigations, to resolve disagreements, if any, between Management and the independent auditor (other than disagreements regarding financial reporting), or to assure compliance with laws and regulations or the Corporation’s own policies.

**MEMBERSHIP**

The membership of the Audit Committee will be as follows:

- The Committee will consist of a minimum of three members of the Board of Directors, appointed annually, the majority of whom is affirmatively confirmed as independent by the Board of Directors, with such affirmation disclosed in the Corporation’s annual security holder materials.
- The Board will elect, by a majority vote, one member as chairperson.
- A member of the Audit Committee may not, other than in his or her capacity as a member of the Audit Committee, the Board of Directors, or any other Board Committee, accept any consulting, advisory, or other compensatory fee from the Corporation, and may not be an affiliated person of the Corporation or any subsidiary thereof.

## RESPONSIBILITIES

The responsibilities of the Audit Committee shall be as follows:

1. **Frequency of Meetings**
  - Meet annually or as often as may be deemed necessary or appropriate in its judgment, either in person or by teleconference.
  - Meet with the independent auditor at least annually, either in person or telephonically.
2. **Reporting Responsibilities**
  - Provide to the Board of Directors proper Committee minutes.
  - Report Committee actions to the Board of Directors with such recommendations as the Committee may deem appropriate.
  - Provide a report for the Corporation's Annual Information Circular.
3. **Charter Evaluation**
  - Annually review and reassess the adequacy of this Charter and recommend any proposed changes to the Board of Directors for approval.
4. **Whistleblower Mechanisms**
  - Adopt and review annually a mechanism through which employees and others can directly and anonymously contact the Audit Committee with concerns about accounting and auditing matters. The mechanism must include procedures for responding to, and keeping of records of, any such expressions of concern.
5. **Independent Auditor**
  - Nominate annually the independent auditor to be proposed for shareholder approval.
  - Approve the compensation of the independent auditor, and evaluate the performance of the independent auditor.
  - Establish policies and procedures for the engagement of the independent auditor to provide non-audit services.
  - Ensure that the independent auditor is not engaged for any activities not allowed by any of the Canadian provincial securities commissions, the SEC or any securities exchange on which the Corporation's shares are traded.
  - Ensure that the auditors are not engaged for any of the following nine types of non-audit services contemporaneous with the audit:
    - bookkeeping or other services related to accounting records or financial statements of the Corporation;
    - financial information systems design and implementation;
    - appraisal or valuation services, fairness opinions, or contributions-in-kind reports;
    - actuarial services;
    - internal audit outsourcing services;
    - any management or human resources function;
    - broker, dealer, investment advisor, or investment banking services;
    - legal services; and
    - expert services related to the auditing service.
6. **Hiring Practices**
  - Ensure that no senior officer who is, or in the past full year has been, affiliated with or employed by a present or former auditor of the Corporation or an affiliate, is hired by the Corporation until at least one full year after the end of either the affiliation or the auditing relationship.
7. **Independence Test**
  - Take reasonable steps to confirm the independence of the independent auditor, which shall include:
    - insuring receipt from the independent auditor of a formal written statement delineating all relationships between the independent auditor and the Corporation, consistent with the Independence Standards Board Standard No. 1 and related Canadian regulatory body standards;



- considering and discussing with the independent auditor any relationships or services, including non-audit services, that may impact the objectivity and independence of the independent auditor; and
- as necessary, taking, or recommending that the Board of Directors take, appropriate action to oversee the independence of the independent auditor.

**8. Audit Committee Meetings**

- At the request of the independent auditor, convene a meeting of the Audit Committee to consider matters the auditor believes should be brought to the attention of the Board or shareholders.
- Keep minutes of its meetings and report to the Board for approval of any actions taken or recommendations made.

**9. Restrictions**

- Ensure no restrictions are placed by management on the scope of the auditors' review and examination of the Corporation's accounts.
- Ensure that no officer or director attempts to fraudulently influence, coerce, manipulate or mislead any accountant engaged in auditing of the Corporation's Financial Statements.

## **AUDIT AND REVIEW PROCESS AND RESULTS**

**10. Scope**

- Consider, in consultation with the independent auditor, the audit scope and plan of the independent auditor.

**11. Review Process and Results**

- Consider and review with the independent auditor the matters required to be discussed by Statement on Auditing Standards No. 61, as the same may be modified or supplemented from time to time.
- Review and discuss with management and the independent auditor at the completion of the annual examination:
  - the Corporation's audited financial statements and related notes;
  - the Corporation's MD&A and news releases related to financial results;
  - the independent auditor's audit of the financial statements and its report thereon;
  - any significant changes required in the independent auditor's audit plan;
  - any non-GAAP related financial information;
  - any serious difficulties or disputes with management encountered during the course of the audit; and
  - other matters related to the conduct of the audit, which are to be communicated to the Audit Committee under Generally Accepted Auditing Standards.
- Review, discuss with management and approve annual and interim quarterly financial statements prior to public disclosure.
- Review and discuss with management and the independent auditor the adequacy of the Corporation's internal controls that management and the Board of Directors have established and the effectiveness of those systems, and inquire of management and the independent auditor about significant financial risks or exposures and the steps management has taken to minimize such risks to the Corporation.
- Meet separately with the independent auditor and management, as necessary or appropriate, to discuss any matters that the Audit Committee or any of these groups believe should be discussed privately with the Audit Committee.
- Review and discuss with management and the independent auditor the accounting policies which may be viewed as critical, including all alternative treatments for financial information within Generally Accepted Accounting Principles that have been discussed with management, and review and discuss any significant changes in the accounting

policies of the Corporation and industry accounting and regulatory financial reporting proposals that may have a significant impact on the Corporation's financial reports.

- Review with management and the independent auditor the effect of regulatory and accounting initiatives as well as off-balance sheet structures, if any, on the Corporation's financial statements.
- Review with management and the independent auditor any correspondence with regulators or governmental agencies and any employee complaints or published reports which raise material issues regarding the Corporation's financial statements or accounting policies.
- Review with the Corporation's General Counsel legal matters that may have a material impact on the financial statements, the Corporation's financial compliance policies and any material reports or inquiries received from regulators or governmental agencies related to financial matters.

### **SECURITIES REGULATORY FILINGS**

- Review filings with the Canadian provincial securities commissions and other published documents containing the Corporation's Financial Statements.
- Review, with management and the independent auditor, prior to filing with regulatory bodies, the interim quarterly financial reports (including related notes and MD&A) at the completion of any review engagement or other examination. The designated financial expert of the Audit Committee may represent the entire Audit Committee for purposes of this review.

### **RISK ASSESSMENT**

- Meet periodically with management to review the Corporation's major financial risk exposures and the steps management has taken to monitor and control such exposures.
- Assess risk areas and policies to manage risk including, without limitation, environmental risk, insurance coverage and other areas as determined by the Board of Directors from time to time.

### **AMENDMENTS TO AUDIT COMMITTEE CHARTER**

- Annually review this Charter and propose amendments to be ratified by a simple majority of the Board.

**APPENDIX “B”**  
**AUDIT COMMITTEE OVERVIEW**

The purpose of the Corporation’s audit committee is to provide assistance to the Board in fulfilling its legal and fiduciary obligations with respect to matters involving the accounting, auditing, financial reporting, internal control and legal compliance functions of the Corporation and its subsidiaries. It is the objective of the audit committee to maintain a free and open means of communications among the Board, the independent auditors and the senior management of the Corporation.

The full text of the audit committee’s charter is attached hereto as Appendix “A” and forms part of this Annual Information Form.

**COMPOSITION OF THE AUDIT COMMITTEE**

NI 52-110 provides that a member of the Audit Committee is independent if the member has no direct or indirect material relationship with the Corporation. A material relationship means a relationship which could, in the view of the Board of Directors, reasonably interfere with the exercise of a member’s independent judgment.

NI 52-110 further provides that a member of the Audit Committee is considered financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the corporation.

The audit committee is comprised of Robert Scott, Jim Dwyer and Byambaa Losolsuren. Mr. Scott is the chairman of the audit committee. All three members of the committee are independent within the meaning of section 1.4 of NI 52-110. Each of the members is financially literate within the meaning of section 1.6 of NI 52-110.

## RELEVANT EDUCATION AND EXPERIENCE

Name and Place of Residence	Independent	Financially Literate	Relevant Education and Experience
<b>Rob Scott, CA, CFA</b> <b>Audit Chair</b>  Vancouver, BC, Canada	Yes	Yes	<p>Mr. Scott, CA, CFA brings more than 20 years of professional experience in corporate finance, accounting and merchant and commercial banking. Mr. Scott earned his CFA in 2001, his CA designation in 1998 and has a B.Sc. from the University of British Columbia. He is a Founder and President of Corex Management Inc., a private company providing accounting, administration, and corporate compliance services to privately held and publicly traded companies. He has served on the management teams and boards of numerous Canadian resource companies with a strong track record of cost effectively running operations. Mr. Scott has also listed several companies on the TSX-V gaining extensive IPO, RTO, regulatory and reporting experience. Mr. Scott is currently the CFO of Riverside Resources (TSXV: RRI) and on the board of Entourage Metals (TSXV: EMT).. In addition, Mr. Scott is a co-founder and director of privately held, Pan American Hydro Corporation, a developer of small hydro projects in Latin America.</p>
<b>Jim Dwyer , MBA</b>  Ulaanbaatar, Mongolia	Yes	Yes	<p>Mr. Dwyer was a New York-based investment banker specializing in mergers and acquisitions for 30 years and completed over 100 M&amp;A transactions. In addition, he founded and managed M&amp;A departments for two major investment banking firms: Shearson Loeb Rhoades and UBS-North America. He qualified as a certified public accountant (CPA) with Touche Ross, a firm that is now part of Deloitte. Mr. Dwyer first visited Mongolia in 2001 to represent the Government of Mongolia as lead investment banker for the privatization of its largest bank, Trade &amp; Development Bank. Thereafter, he served as lead investment banker for the privatization of the largest Government-owned retail bank, Khan Bank. He co-founded the Business Council of Mongolia (BCM) and has served as Executive Director since its formation, in August 2007. BCM is a Mongolian non-government organization (NGO) and a leading advocacy effort representing approximately 250 business stakeholders in Mongolia, including foreign and Mongolian corporations. Mr. Dwyer received his MBA from Columbia Graduate School of Business (Columbia University).</p>
<b>Byambaa Losolsuren, MBA</b>  Ulaanbaatar, Mongolia	Yes	Yes	<p>Mrs. Losolsuren is a founder and CEO of the Trend Capital LLC, investment advisory firm. In the past, she was one of the key partners at UMC to launch and build Mandal financial services group being in charge of asset management arm. She managed three local investment funds under Mandal Asset Management. Ms.Losolsuren worked on investment deals in finance, health, IT, urban development and financial services industries. She holds extensive experience in the Mongolian finance industry having worked for the Asian Development Bank as an investment officer and as a consultant to the Financial Regulatory Commission (FRC) in Mongolia. She was instrumental in drafting of the Investment Fund law of Mongolia, which was successfully passed by the Parliament in 2013. Ms. Losolsuren also serves as an independent director of the Mongolian Mortgage Corporation SPV and local insurance company. Also currently member of the Economic Council at the Prime Minister of Mongolia and a Director of the Investment and Finance Research Center. Columnist at the Mongolian Economy journal. She holds BA from the National University of Mongolia, and MBA degree from Waseda University, Japan.</p>

## AUDIT COMMITTEE OVERSIGHT

Since the commencement of the Corporation's most recently completed financial year, the Board has not failed to adopt a recommendation of the Audit Committee to nominate or compensate an external auditor.

## RELIANCE ON CERTAIN EXEMPTIONS

At no time since the commencement of the Corporation's most recently completed financial year, has the Corporation relied on any of the following exemptions from NI 52-110:

- (a) the exemption in section 2.4 (*De Minimis Non-Audit Services*); or
- (b) an exemption from NI 52-110, in whole or in part, granted under Part 8 (*Exemptions*).

However, as a "venture issuer", the Corporation is relying on the exemptions provided by section 6.1 of NI 52-110 with respect to Part 3 – *Composition of the Audit Committee* and Part 5 – *Reporting Obligations*.

## PRE-APPROVAL POLICIES AND PROCEDURES

The Audit Committee has not adopted specific policies and procedures for the engagement of non-audit services but all such services will be subject to prior approval of the Audit Committee.

## EXTERNAL AUDITOR SERVICES FEES

The aggregate fees billed by the Corporation's auditors for the years ended December 31, 2014 and December 31, 2013 and December 31, 2012 are as follows:

Financial Period	Audit Fees	Audit-Related Fees	Tax Fees	All Other Fees
Year ended December 31, 2014	\$311,914	\$116,105	\$11,300	\$59,415
Year ended December 31, 2013	\$522,280	\$134,893	\$11,000	\$7,007
Year ended December 31, 2012	\$503,000	\$81,419	\$63,659	\$5,060

### Notes:

- (1) "Audit Fees" include fees necessary to perform the annual audit of the Corporation's financial statements. Audit Fees include fees for review of tax provisions and for accounting consultations on matters reflected in the financial statements. Audit Fees also include audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.
- (2) "Audit-Related Fees" include services that are traditionally performed by the auditor. These audit-related services include quarterly reviews of the financial statements, employee benefit audits, due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.
- (3) "Tax Fees" include fees for all tax services other than those included in "Audit Fees" and "Audit-Related Fees". This category includes fees for tax compliance, tax planning and tax advice. Tax planning and tax advice includes assistance with tax audits and appeals, tax advice related to mergers and acquisitions, and requests for rulings or technical advice from tax authorities.
- (4) "All Other Fees" include all other non-audit services.