MONGOLIA GROWTH GROUP LTD.

Management Discussion & Analysis

March 31, 2012

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The management of Mongolia Growth Group Ltd. ("MGG" or "the Company") presents the Company's management discussion and analysis for the three months ended March 31, 2012 (the "MD&A"), compared with the three months ended March 31, 2011. As of January 1st, 2011, the Company adopted International Financial Reporting Standards ("IFRS"). This MD&A provides an overall discussion, followed by analyses of the performance of the Company's major reportable segments. The reporting and presentation currency in the consolidated financial statements and in this discussion and analysis is the Canadian dollar, unless otherwise noted.

This MD&A is dated May 30, 2012 and incorporates all relevant information and considerations to that date.

The following discussion and analysis should be read in conjunction with the unaudited interim consolidated financial statements of the Company for the period ended March 31, 2012 and March 31, 2011 together with all of the notes, risk factors and information contained therein, available on SEDAR at www.sedar.com.

Non-IFRS Financial Measures

This MD&A makes reference to earnings before interest, taxes, depreciation and amortization ("EBITDA"). MGG uses EBITDA as a measure of the performance of its operating subsidiaries as it excludes depreciation and interest charges, which are a function of the company's specific capital structure, and also excludes entity specific tax expense. These amounts are not performance measures as defined under IFRS and should not be considered either in isolation of, or as a substitute for, net earnings prepared in accordance with IFRS. The Company refers to "Funds used in operations", "operating losses" and "re-valuation of investment properties" within this analysis. "Funds used in operations" is computed by calculating the cash flow from operations before changes to non-cash working capital from operations.

Forward Looking Statements

This MD&A contains forward-looking statements relating to future events. In some cases, forward-looking statements can be identified by words such as "anticipate", "continue", "estimate", "expect", "forecast", "may", "will", "project", "should", "believe", or similar expressions. These statements represent management's best projections but undue reliance should not be placed upon them as they are derived from numerous assumptions. These assumptions are subject to known and unknown risks and uncertainties, including the "Risks and Uncertainties" as discussed herein. Actual performance and financial results will differ from any projections of future performance or results expressed or implied by such forward looking statements and the difference may be material.

Accordingly, readers are cautioned that events or circumstances could cause results to differ materially from those predicted. From time to time, the Company's management may make estimates and have opinions that form the basis for the forward-looking statements. The Company assumes no obligation to update such statements if circumstances, management's estimates or opinions change.

Overall Performance

Mongolia Growth Group Ltd. is a Canadian holding company that invests in both the real estate and financial services industries in Mongolia. MGG is presently engaged in the business of: (i) the ownership of residential, retail and office investment properties; (ii) the management of investment properties; (iii) the repair, construction and development of investment properties; (iv) the underwriting of property and casualty insurance risks; and (v) the sales of property and casualty insurance.

Property

In all its investment property operations, MGG strives to provide the highest quality locations to tenants, which augments their accommodations, business sales, or office environment. MGG's strategy is to acquire the best-located properties in Mongolia, to repair and redevelop as needed, then to lease the properties to the tenant which benefits most from their location and quality.

The Company's property portfolio has grown through acquisition. As acquisitions are integrated into the MGG model, the Company's ability to offer a unique product, multi-unit retail platforms, or large format office space has led to relationships with some of the largest and best run businesses operating in Mongolia. The Company believes doing so will add value to local firms that can benefit from such unique offerings, and will lead to excess profitability to the company, vis-à-vis above market rental yields.

As the Mongolian consumer has benefited from an increase in gross and disposable income, the tenancies of the Company's investment properties have been able to support increased rents. This market improvement in the rental business has supported company results as most re-let properties have seen double-digit increases in rents and a commensurate increase in property valuation due to a slow contraction in the market capitalization rate of investment properties in Mongolia. The general property market continues to be influenced by improvement in the overall Mongolian economy. Certain locations have seen a smaller increase in rental rates, generally at the mid-to-low end of the commercial property market or the high-end of the residential market, while higher end commercial properties and lower-end residential properties have seen more substantial increases in both rents and valuations.

The Company believes that increases in the nominal gross domestic product will lead to further increases in both the rental rates and valuations of properties in Mongolia. MGG's property division should benefit from such increases in the nominal gross domestic product due to the operational leverage inherent in a property business with relatively fixed operating costs. It is expected that the majority of the organic growth in the revenue of the property division going forward should accrue to the Company's bottom line due to such embedded operating leverage.

Insurance

The Company's insurance subsidiary (Mandal General Insurance or "Mandal") began underwriting in the fourth quarter of last year. The underwriting capacity and knowledge of the insurance subsidiary was acquired vis-à-vis the initial overfunding of the company in relation to its risks, and by the hiring of individuals that had previously obtained insurance experience in both Mongolia and abroad. The sales process for the insurance company is longer term in nature. Retail sales at the insurance company have substantially lagged commercial sales, which are much larger in nature and are infrequent in occurrence.

As the Mongolian consumer and business market becomes larger and more understanding of the inherent benefits of insurance, the market will grow substantially. According to the Financial Regulatory Commission ("FRC"), over the past five years, nationwide underwriting has grown at over 20% per annum. Due to the small nature of the insurance market, and the newness of our insurance subsidiary as an entrant in the market, the insurance subsidiary's primary focus has been on business systems development, product development, brand awareness, and marketing.

Similar to the foundation of the Company's property business, Mandal has hired staff and incurred expenses that lead to a high level of operational leverage. Many divisions of the insurance operation would not be required to expend further resources even given a substantial increase in premiums written. The largest expense within the insurance business in the future should be reserving, but at the present juncture, it happens to be the recognition of the cost of employee and consultant stock options. Employee stock option expense as a percentage of costs should decrease over time in the event that revenues increase.

Economic Outlook

The continued economic growth in the economy over the past quarter is thought to be attributable to the mining and construction boom taking place in Mongolia, mainly resulting from the opening of the Oyu Tolgoi and various coal deposits located in the Gobi desert. The associated infrastructure requirements for these projects have also served to continue to strengthen the local economy. Although there has been some economic uncertainty of late, due to the proximity of the coming federal election, postulation and arrests that appear politically motivated, Management has seen a resiliency to the local economy and a strong business environment. Since little construction takes place during the frigid Mongolian winter, there is a continued lack of sufficient commercial and residential properties for tenants. This has led to recent increases in rental rates in most commercial market sectors, especially those in proximity to the downtown core.

There have been no noticeable changes in the growth rate of the Mongolian property or insurance markets during the quarter, in that there appears to still be noticeably high levels of property price increases and increased insurance underwriting. Both sectors of the economy appear to be strong through the first quarter of 2012, with the exception of property construction due to the seasonality of the Ulaanbaatar building market. Construction has begun again as the spring thaw has concluded.

Selected Quarterly Financial Information

	Quarter ended **March 31 2012**	Quarter ended **March 31 2011**	Quarter ended **March 31 2010**
Revenue and other income	469,882	-	
Income			
Income (loss) from continuing operations attributable to equity holders of the Company *	- 644,491	- 149,654	- 6,192
Net Income (loss) attributable to equity holders of the Company	- 644,491	- 149,654	- 6,192
Comprehensive income (loss) attributable to equity holders of the Company	- 205,748	- 52,071	- 6,192
Basic earnings per share ("EPS") (in dollars)			
Earnings (loss) from continuing operations	- 0.02	-	-
Net income (loss)	- 0.02	-	-
Diluted EPS (in dollars)			
Earnings (loss) from continuing operations	- 0.02	-	-
Net Income (loss)	- 0.02	-	-
Balance Sheet			
Total Assets	55,783,296	10,353,848	404,764
Financial liabilities	2,307,543	5,884,162	15,940
Total Equity	53,475,753	4,469,686	388,824
Shares Outstanding at year end	34,143,352	14,167,570	3,514,300
Book Value per share	1.57	0.32	0.11

Results of Operations

As of March 31, 2012, MGG's operations continued to focus on the rapid growth of the Mongolian economy. As part of its corporate strategy of aggressive growth, the Company has continued to purchase rentable property, repair and expand existing properties, lease available properties, sell property and casualty insurance and participate in activities consistent with raising capital.

Revenues

MGG's consolidated revenues for the quarter ended March 31, 2012 increased to $469,882, from nil revenues during the quarter ended March 31, 2011. The majority of the increase in revenue is attributable to investments made during the last year, using funds raised in financings throughout the year.

The Company's investment property business contributed the majority of the revenue for the first quarter, $383,104. This division began renting properties in the second quarter of 2011, and as such, no comparable figures are available for the period ending March 31, 2011.

The Company's insurance business contributed $71,983 of net earned revenue during the first quarter of 2012. This division did not begin selling policies until the fourth quarter of 2011, and as such, no comparable figures are available for the period ending March 31, 2011.

Expenses

Total expenses for the first quarter of 2012 increased to $1,252,875, from $170,209 during the first quarter of the previous year. The largest increase in expenses is attributed to share based compensation of $390,199, which relates to options issued to employees and consultants. Secondarily, operating expenses generally increased due to increases in operations and general expenses. As the company had just begun operations during the later part of the first quarter in the previous year, increases in expenses were a result of the implementation of the businesses of the Company.

Operating Profit (Loss)

The property business of MGG incurred an Operating or EBITDA gain of $181,170 during the first quarter of 2012. This gain is the result of increased rental revenue offset by an increase in expenses associated with building a property management team, along with increased property taxes and insurance expense associated with a larger portfolio. This business line had not yet generated any revenue during the first quarter of 2011, and as such, comparable figures are not available.

MGG's insurance business incurred an Operating or EBITDA loss of $191,905 during the first quarter of 2012. The majority of this loss is due to professional fees and large marketing expenses incurred for building the company's brand. This business line did not exist during the first quarter of 2011, and as such, comparable figures are not available.

The Company's corporate overhead contributed to an Operating or EBITDA loss of $226,614 during the first quarter of 2012. The majority of this loss was incurred for legal and audit expenses and other corporate expenses associated with the general corporate activity of the Company. In comparison, during the first quarter of 2011, the Company was just beginning operations and incurred a loss of $149,654.

Net Income

For the quarter ended March 31, 2012, the Company incurred a net loss of $644,491 compared to a net loss of $149,654 for the quarter ended March 31, 2011. The quarter's increased revenue was outweighed by a significant increase in operating expenses and employee and consulting option amortization which are a result of setting up the Company's operations.

In the first quarter of 2012, MGG's property division produced positive operating cash flow; however this is insufficient to cover corporate expenses, and insurance expenses. Management anticipates that this cash flow will increase substantially in future quarters as vacant properties become occupied, rents are renewed at higher rates, and expenses remain fairly constant.

Management cautions investors that the Company is primarily focused on increasing shareholder value on a per share basis. This means that operationally management is more concerned with asset appreciation at the expense of short-term cash flow. Management expects this to be the case for the foreseeable future.

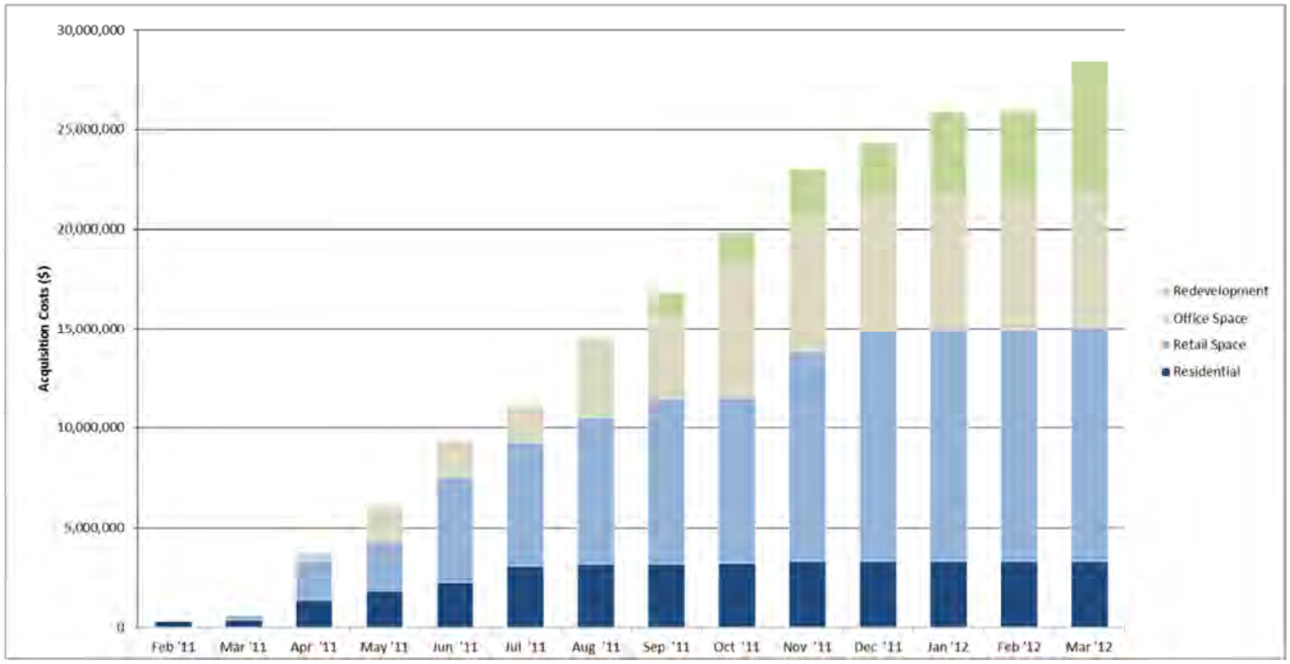
Summary of Quarterly Results

The following table provides selected financial information for the eight most recently completed quarters.

Quarterly Consolidated Financial Information								
	Q1 2012	**Q4 2011**	**Q3 2011**	**Q2 2011**	**Q1 2011**	**Q4 2010**	**Q3 2010**	**Q2 2010**
Revenue	469,882	360,914	186,134	42,263	-	456	439	262
Net income (loss)	- 644,491.00	2,794,533	- 820,149	- 485,585	- 139,646	28,881	- 259,734	- 10,731
Income (loss) per common share	-0.02	0.11	- 0.03	- 0.02	-	-	- 0.07	-
Total Assets	55,783,296	55,336,889	36,439,544	36,250,423	10,353,848	156,847	303,628	403,956
Weighted Average Shares	34,143,352	23,902,851	21,814,422	16,617,951	10,184,185	3,239,300	3,514,300	3,514,300
Ending Shares	34,143,352	34,143,352	30,297,168	30,297,198	14,167,571	2,964,300	3,514,300	3,514,300

MGG's revenue continued to grow, with first quarter consolidated revenue increasing to $469,882 compared to fourth quarter 2011 consolidated revenue of $360,914, an increase of 30%. The change is mainly due an increase in rental income generated by the properties purchased in the quarter.

The following chart describes the Company's month end property portfolio at cost, by property type, at cost, since inception. Note that this chart includes both properties classified as investment properties, held for sale, as well as those classified under property and equipment:



Acquisition Costs were translated from Mongolian Tögrög into Canadian dollars at the March 31, 2012 rate of 1324.77 .

Quarterly expenses related to corporate operations totalled $350,980, of which $120,015 were related to share based payments, compared to $424,939 during the fourth quarter of 2011, a 17% decrease. The decrease in corporate expenses is mainly attributed to professional fees and office set up expenses. Management believes that cash corporate expenses have come close to normalizing at current levels.

Property

Quarterly property revenue increased to $383,104, compared to $282,080 during the fourth quarter, a 36% increase. The increase in property revenue is mainly attributed to an approximate $4,500,000 or 17% increase in portfolio assets. In addition, vacancies decreased substantially. This was due to the integration of newly acquired properties into the property rental pool, and more aggressive marketing of the portfolio.

The property division's overhead expenses rose significantly throughout the past year, they remained stable during this past quarter. Management expects this to continue to be the case throughout the next year.

MGG's property portfolio has increased to $30,669,704 at cost, at the end of the first quarter, taking into consideration the foreign currency translation. This is a $4,503,418 increase or 17% increase compared to the fourth quarter of 2011. The Company anticipates that the investment portfolio will continue to increase in investment and in value in the future.

Insurance

The first quarter of 2012 represents the Company's second complete quarter of operations since policies were approved by FRC. During the first quarter, MGG's insurance subsidiary earned net premiums of $71,983. This subsidiary has also earned net investment income of $136,544 on its investment portfolio.

The insurance subsidiary has spent aggressively to develop the Mandal brand name through advertising. The Company expects this marketing spending to increase substantially in the future—especially as the Company begins to sell government mandated auto liability products. The management team at Mandal continues to explore ways to leverage marketing spend through creative partnerships.

Liquidity

As at March 31, 2012, MGG had working capital of $16,343,390 comprised of cash and cash equivalents, investments and marketable securities, other assets, reinsurance assets, deferred acquisition expenses, net of trade and accrued liabilities, income taxes payable and insurance contract liabilities. Management considers the funds on hand to be sufficient to meet its ongoing obligations.

Related Party Transactions

During the first quarter of 2012, Mandal General Insurance paid $33,645 to Zulu LLC, a subsidiary of MGG, as a payment of their office rental. Also during the first quarter, the Company's various property subsidiaries paid a total of $32,096 to Mandal General Insurance for insurance coverages on MGG's portfolio of investment properties. 99% of the risks associated to these coverages were ceded to a well-rated re-insurer and a well-rated direct lines insurer.

Critical Accounting Estimates

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

The critical estimates made in the preparation of the consolidated financial statements include the following:

- Fair value of investment properties - The estimate of fair value of investment properties is the most critical accounting estimate to the Company. An external appraiser estimates the fair value of investment properties annually. The fair value of investment properties is based on the nature, location and condition of the specific asset. The fair value of investment properties represents an estimate of the price that would be made in an arm's length transaction between knowledgeable, willing parties.

The Company operates in the emerging real estate market of Mongolia, which given its current economic and industry conditions, has an increased inherent risk given the lack of reliable and comparable market information. At December 31, 2011, the unrealized fair value adjustment was $5,740,919. No fair value adjustment was done during the first quarter of 2012.

- Valuation of insurance contract liabilities - The estimate of the ultimate liability arising from claims made under insurance contracts is another critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. The ultimate cost of claims liabilities is estimated by using a range of standard actuarial claims projection techniques in accordance with Canadian accepted actuarial practice. At March 31, 2012, the insurance contract liabilities totalled $566,084.

- Accuracy of share based compensation expense - The estimate of the ultimate expense arising from share based compensation plans is another critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the share based compensation expense recorded by the Company. The ultimate expense is estimated by using a number of key assumptions such as the expected volatility of the share price, the dividends expected on the shares, the risk-free interest rate for the expected life of the option and future forfeiture rates. For the quarter ending March 31, 2012, the cost of the share based payments totalled $390,199.

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

Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, investments and marketable securities, accounts receivable and trade and accrued payables. The Company is subject to interest risk as it earns interest income from its cash deposits. It is management's opinion that the Company is not exposed to significant credit risks arising from these financial instruments and that the fair value of these financial instruments approximates their carrying values. Management believes that there are material currency risks associated to the majority of the Financial Instruments of the Company as they are held in Mongolian Tögrög. For further discussion of financial instrument risks, see the Insurance and Financial Risk Management note.

Changes in Accounting Policies

The consolidated financial statements of the Company were prepared in accordance with IFRS, as issued by the International Accounting Standards Board (IASB). For all periods up to and including the period ended December 31, 2010, the Company prepared its financial statements in accordance with Part V Pre-Changeover Accounting Standards, of the Canadian Institute of Chartered Accountants Handbook, Canadian generally accepted accounting principles (Canadian GAAP).

Capital Risk Management

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

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

The method used by the Company to monitor its capital is based on an assessment of the Company's working capital position relative to its projected obligations. At March 31, 2012, the Company's working capital was $16,343,390 (2011 - $3,810,934) and the Company had no debt.

Off-Balance Sheet Items

As at March 31, 2012, the Company has no off-balance sheet items.

Financial Risk Management

Credit risk

The Company's exposure to credit risk is managed through risk management policies and procedures with emphasis on the quality of the investment portfolio. For the year, most of the Company's investments consisted of institutional deposits. The majority of the funds invested are held in reputable Barbadian, Canadian or Mongolian banks. The Company is in the early stages of development and is continually improving its policies regarding monitoring its credit risk.

The Company is exposed to credit risk as an owner of real estate in that tenants may become unable to pay the contracted rents. The Company mitigates this risk by carrying out appropriate credit checks and related due diligence on the significant tenants. The Company's properties are diversified across residential and commercial classes.

Amounts due from policy holders are short-term in nature and are not subject to material credit risk.

Liquidity risk

As at March 31, 2012, the Company does not believe the current maturity profile of the Company lends itself to any material liquidity risk, taking into account the level of cash and cash equivalents, investments and marketable securities as at March 31, 2012. The Company does not have material liabilities that can be called unexpectedly at the demand of a client.

Currency risk

The Company owns properties located in Mongolia and marketable securities in Mongolia and Barbados, and is therefore subject to foreign currency fluctuations that may impact its financial position and results. Changes in the Mongolian Tögrög and U.S. to Canadian dollar foreign currency exchange rate impact the fair value of securities denominated in Mongolian Tögrög and in U.S. dollars. The Mongolian operations hold their investments in Mongolian Tögrög denominated securities and the Canadian operations hold securities denominated in Canadian and U.S. dollars.

Internal Controls over Financial Reporting

Changes in securities laws no longer require the Chief Executive Officer and Chief Financial Officer of junior reporting issuers to certify that they have designed internal control over financial reporting, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards.

Instead, an optional form of certification has been made available to junior reporting issuers and has been used by the Company's certifying officers for the March 31, 2012 interim filings. The new certification reflects what the Company considers to be a more appropriate level of CEO and CFO certification given the size and nature of the Company's operations. This certification requires the certifying officers to state that:

(i) they have reviewed the interim MD&A and consolidated financial statements;
(ii) they have determined that there is no untrue statement of a material fact, or any omission of material fact required to be stated which would make a statement or its omission misleading in light of the circumstances under which it was made within the interim MD&A and consolidated financial statements;
(iii) based on their knowledge, the interim filings, together with the other financial information included in the interim filings, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of the date and for the periods presented in the filings.

Strategy

MGG separates its operations into three reporting segments for ease of management oversight. These segments are property, insurance, and corporate.

At all three reporting segments, the Company's focus has been on hiring key employees, implementing reporting systems, and setting the Company up for continued growth in the future. The most difficult challenge that the Company has encountered is finding skilled employees, given the growth experienced during the last year. The growth in employees has moderated now that the majority of key positions are filled. The Company plans to spend more time and energy on training employees, rather than hiring many new employees, as the Company grows in the near future.

At corporate, Management has been somewhat surprised by the substantial costs involved in being a public company. From a cost perspective, the Company has made progress in building up the needed infrastructure and will likely not be required to increase expense levels much beyond current levels for the next stage of the Company's growth.

Property

MGG's property division continues to exhibit rapid growth in assets. Management and employees have worked hard to aggressively build up the infrastructure needed to manage this division. The property business is now adequately staffed for a substantially larger portfolio and there is no anticipation that management expenses will increase materially on a nominal level beyond inflationary increases in salaries. Expenses in the property division are likely to decline as a percentage of revenues in the future.

Due to the rapid growth of the Mongolian economy and a shortage of high quality rental locations, property rents are increasing rapidly, particularly in office and prime retail location. When leases have been reviewed, many of them are at rates that are substantially below market rents. These leases should reset over the short-term and should substantially increase revenues if rental rates stay current. The Company has maintained most leases on short durations. The Company also includes rent escalation clauses in most of its leases with tenants that are over one year in duration.

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

Insurance

The Company's insurance subsidiary, Mandal Daatgal ("Mandal"), received its insurance license on June 2, 2011 and began to aggressively target customers in October 2011. To date, it has focused its operations on both the retail and corporate market. The focus with Mandal is to underwrite conservatively so that all policy holders are confident that insureds will be paid on all legitimate claims. Through the use of reinsurance, Mandal attempts to ensure that it can cover losses due to rare catastrophic events.

The Company's expectation is that the insurance company will incur operating losses for at least the next year. Anticipated losses will likely be caused by the sizable costs of marketing and growing the business, against insufficient earned premium revenue. Some of these losses will be offset by the insurance company's investment portfolio. It is expected that the investment portfolio will grow as the company increases sales and the associated reserves.

On September 15, 2011 Mandal partnered with Mongol Post, the postal service of Mongolia, to distribute insurance products within Ulaanbaatar. Mandal has begun training and licensing postal representatives with the intention to roll out insurance sales through this channel during 2012. Mandal hopes to use this relationship to eventually sell insurance products across all of Mongolia.

On November 6, 2011 the government of Mongolia passed a law making auto liability insurance mandatory. This law came into effect on January 1, 2012.

On April 5th 2012 has sold a sizable bankers blanket bond with Khan Bank, the largest bank in Mongolia based on branch count. This transaction was 100% reinsured by syndicates of the Society of Lloyd's.

On April 18, 2012 Mandal received a special permit to write auto liability coverages and is actively marketing these products to the consumer segment of the market.

Outlook

The Mongolian economy continues to be one of the best performing economies globally based on data from The National Statistics Office of Mongolia ("NSO") – April 2012 edition, with preliminary estimates of annualized nominal first quarter 2012 GDP growth of 30.2%. The Mongolian Consumer Price Index increased 2.5% during the month of March 2012, and 17.3% between March 2011 and March 2012, based on data from the NSO. This growth is being funded by Foreign Direct Investment inflows to a number of sizable mining projects along with re-investment of earnings from existing projects. Outside of the mining sector, the consumer economy is growing at a phenomenal rate.

MGG has been a beneficiary of these trends in both its property and insurance operations. In its property operation, the property portfolio has continued to increase in value. This increase in market value is caused by higher market rents, declining capitalization rates, and the increased availability of credit, which is allowing some investors to borrow money through mortgages.

As Mongolians see a higher standard of living, they will want to protect their valuables. Additionally, corporations are beginning to understand the necessity of using insurance to avoid business volatility. These two trends have been important in seeing the Company's insurance subsidiary grow since inception in June of 2011.

It is widely anticipated that 2012 will be another year of strong GDP growth for Mongolia, which should bode well for the Company.

For the month of March 2012, companywide EBITDA was positive. This calculation takes into account fluctuations in working capital and changes in insurance reserving. It is anticipated that the company will continue to experience positive EBITDA for the remainder of 2012. It is also expected that during the course of the year the Company will increase its property revenue as present leases which will expire are at below market rates, insurance premiums are expected to increase, and Management is planning to further invest in cash-flow generating investment properties. However, fluctuations in reserving, claims paid, and working capital could severely decrease EBITDA.

It is anticipated that the Company will continue to seek ways to raise additional equity capital to further the development of its businesses. MGG will also likely begin utilizing conservative levels of debt funding for its property investments during late 2012.

Economic Volatility and Uncertainty

The past economic volatility and uncertainty in Canada and around the world has contributed to dramatically restricted access to capital and reduced capital markets activity. The Company's management believes that the Company has sufficient resources to carry on its business and remain a going concern.

MGG holds the majority of its assets, investments and operations in the nation of Mongolia. Mongolia is presently experiencing drastic changes in its fast growing economy. Economic volatility and uncertainty in Mongolia could result in inflation, hyperinflation, economic stagnation, political extremism, and other similarly detrimental scenarios which would materially harm the Company.

Substantial risk and uncertainty exists due to the level of economic growth in Mongolia. According to the Bank of Mongolia, money supply (M2) increased 23.2% in the last 12 months ending March 31, 2012. Loans outstanding in the banking industry also increased substantially during the last 12 months, rising 55%. Such changes in money supply and lending may be warranted due to the growth of the local economy. However, historical economic disequilibrium of such magnitude in other nations has frequently led to hyperinflation, unstable economic conditions, hardship and strife.

Depending on the requirements of MGG's businesses, additional funds may be required to be raised in the capital markets and there is no guarantee that sufficient funds raised will be available to complete a financing required to augment the Company's operations.

Risks and Uncertainties

The Company, as part of its operations, carries financial instruments consisting of cash and cash equivalents, investments and marketable securities, accounts receivable, and trade and accrued payables. It is Management's opinion that the Company is not exposed to significant credit, interest, or currency risks arising from these financial instruments except as otherwise disclosed in the notes to the consolidated financial statements.

The Company's insurance subsidiary, Mandal General Insurance, is in breach of an FRC solvency limit requirement that stipulates that underwriters must maintain short-term investments equal to or greater than share capital (FRC Order No. 211). For an insurance company with normalized reserves, the invested capital in reserves would usually prove sufficient to satisfy this ratio. Since Mandal General Insurance was recently established, and due to continuing losses in operations, the firm is in breach of this covenant. However, Mandal's ratios for other covenants are far in excess of minimum requirements due to the firm's substantial equity in relation to its reserves and underwriting premiums. The Company has been proactively working with FRC to comply with this regulation. Given the significant level of initial capital contributed to this company and based on discussions with the FRC management does not believe that there will be sanctions related to this breach. Mandal has also requested that FRC adopt more internationally accepted regulations, like underwriting limits and capital limits in relation to reserving.

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

Outstanding Share Data

As at March 31, 2012, the Company had 34,143,352 common shares issued and outstanding. As at March 31, 2012, 11,372,500 of the Company's common shares, or approximately 33.4% of the issued and outstanding shares, were directly or indirectly controlled by the Company's directors and officers. As of March 31, 2012, the Company had 600,000 stock options outstanding with an exercise price of $1.64 per share (500,000 have an expiry date of March 9, 2021 and 100,000 have an expiry date of March 9, 2014). The Company also had 722,000 stock options outstanding with an exercise price of $4.20 per share, (at issuance, 825,000 had an expiry date of April 25th 2016 and 75,000 had an expiration date of April 25th 2014, of theses a total of 128,000 were forfeited during 2011 and 50,000 were forfeited during the quarter). In addition, the Company had 170,000 options outstanding with an expiry date of September 7, 2016 and an exercise price of $4.77 (175,000 options were issued initially, 5,000 were forfeited during the quarter). Furthermore, the Company had 150,000 options with an expiry date of December 2, 2016 and an exercise price of $4.25. Lastly, the Company had 190,000 5-year stock options to purchase shares of MGG at a price of $4.00 per share with an expiry of March 23, 2017.

At period-end, the Company had nil options that were exercisable (Q1 2011- 0)

Outstanding	**as at March 2012**
Common shares	34,143,352
Options to buy common shares	1,832,000

Events Subsequent to Quarter End

Subsequent to March 31, 2012, MGG purchased approximately $2,690,000 worth of properties.

Subsequent to quarter end, there were 6 investment properties sold resulting in a realized gain of $128,487. The carrying value of these investment properties was $371,220 and they had a fair value of $412,342 as at December 31, 2012.

On May 16, 2012, MGG announced that it has agreed to and signed a binding term sheet agreeing to sell shares of Mandal General Insurance to UMC Capital, the operators of Mandal, at a purchase price equivalent to MGG's original funding cost in June of 2011. Following the closing of this transaction, UMC Capital and MGG will respectively own approximately 16% and 84% of Mandal's currently outstanding shares. In addition, UMC Capital will retain the right to purchase an additional 25% of Mandal at the higher of stated book value or funding cost.

Additional Information

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