MONGOLIA GROWTH GROUP LTD.

Management Discussion & Analysis

March 31, 2013

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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 month period ended March 31, 2013 (the "MD&A"), compared with the three month period ended March 31, 2012. As of January 1, 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 29, 2013 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, 2013 and March 2012 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 office, retail, and redevelopment 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 and to a lesser extent, through additions of space via construction. As additional meters 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 businesses operating in Mongolia. The Company believes that by working with such successful firms, it will add value to the local firms which will benefit from such unique offerings, and will lead to excess profitability to the company.

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 value.

The general property market continues to be influenced by improvement in the overall Mongolian economy. During 2012, moves by the Mongolian Central Bank to raise interest rates and reserve requirements amongst banks led to a slowdown in terms of overall price appreciation. This led to increases in capitalization rates as rental rates continued to increase. During the first quarter of 2013, the Mongolian Central Bank lowered interest rates which resulted in increases in property prices, and as of today, prices in land, land-like assets and downtown soviet apartments are at or above prices seen at the peak in the early summer of 2012. Prices in other markets are still below 2012 peak prices. Management cautions shareholders that property prices have historically been, and continue to be, very volatile. With the June Presidential election looming, as well as other unknown events that may arise, additional volatility is highly probable. In addition, there has been a slowdown in leasing activity leading up to the elections.

The Company believes that increases in 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 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 2011. 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 continue to substantially lag corporate sales, which are much larger in nature and are infrequent in occurrence.

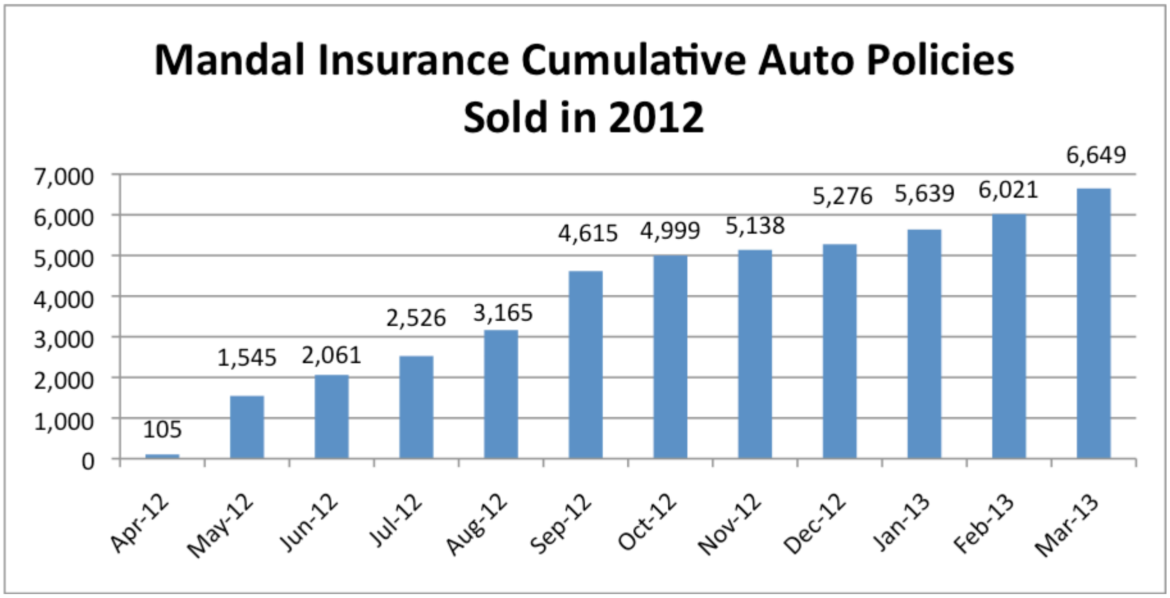
As the Mongolian consumer and business market becomes larger and more understanding of the inherent benefits of insurance, the market is expected to grow substantially. Due to the small nature of the insurance market, and the newness of our insurance subsidiary as an entrant in the market, the insurance 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.

Performance in most underwriting lines was within management expectations for the quarter. Substantially underperforming was a financial product line of coverage, primarily comprised of one loss mitigation policy with a large National Mongolian firm. A new revised contract with the insured was signed after the close of the quarter that is behaving more to management’s original expectations, due to claims caps and certain other loss mitigation parameters.

According to statistics produced by FRC, at the end of December 2012, Mandal represents 15.5%, 6.8%, 3.8% and 2.5% of the total equity capital, assets, gross premiums and net premiums of the Mongolian Insurance Market. This is an increase from 14.5%, 8.3%, 0.9% and 0.9% respectively at calendar year end 2011.

Mandal continues to have marketing successes, particularly in mandatory driver’s liability where the total policy count has now grown to 6,649 policies as of the end of March 2013.



During the quarter Mandal opened 3 retail branches in Ulaanbaatar, organized a National risk management seminar, published the "Risk Report of Mongolia", developed a new insurance program for the road construction industry, and entered into a cooperation agreement with a large foreign insurer to provide global health insurance coverages in Mongolia.

Economic Outlook

Both markets that the Company operates in, the real estate and insurance industries have benefited from the significant economic growth achieved in Mongolia over the last few years. The majority of this recent growth is attributable to the mining and construction boom taking place in Mongolia, mainly resulting from the opening of the Oyu Tolgoi and Tavan Tolgoi deposits located in the Gobi desert. The associated infrastructure requirements for these projects have also served to strengthen the local economy. The positive impact of improving consumer and business confidence has further led to a substantive increase in the gross production of the local economy. Uncertainties due to the recent parliament election, the presidential election taking place this summer, as well as a dynamic legal environment for mining concerns and foreign investment has led to recent stress in both the local mining industry, and the local banking sector. These stresses have created a decrease in the rate at which the Mongolian economy has grown, but in spite of the decrease, the local economy still appears quite strong. Recent metrics relating to increases in disposable income and unemployment are particularly indicative of a robust and dynamic local economy.

Given the current lack of sufficient real estate space for domestic and international tenants, and the insurance underwriting capacity within the insurance industry in Mongolia, there is room for much further expansion in the amount of business to be done in both industries, and likely increases in the profitability of these industries.

In 2012, the Mongolian government raised $1.5 billion at interest rates of 4.125% for $0.5 billion and 5.125% for $1.0 billion. This money is now filtering into the economy as the government chooses various programs to finance. The Mongolian economy has been starved of capital. $1.5 billion of low cost capital being injected into what was in 2012 a $9.96 billion GDP economy, has gone a long way into decreasing the nation's cost of capital, as well as alleviating some of the stress of a decline in certain mining sectors and in FDI.

As reported by the National Statistics Office, inflation rose by 9.8% from March 31, 2012 to March 31, 2013. In comparison, inflation in the 12 months ending December 31, 2012 was 14%. There has been a steady decline in the rate of inflation over the past year. Future inflation numbers remain uncertain due to the presidential election, coal price decline and expansionary fiscal policy.

According to the National Statistics Office, residential property prices in downtown Ulaanbaatar have increased fairly significantly over the past couple of years, depending on the district and year of construction. Management believes that since the inception of the property Companies, its portfolio of assets has likely increased at a more rapid rate due to the attractive positioning of most assets on the primary streets of downtown. Meanwhile, the shortage of high quality development sites has led to an even more rapid increase in the value of well-located sites.

Selected Quarterly Financial Information

	Quarter ended **March 31 2013** $	Quarter ended **March 31 2012** $	Quarter ended **March 31 2011** $
Revenue and other income	776,476	469,882	0
Income			
Income (loss) from continuing operations attributable to equity holders of the Company *	-64,334	-649,949	-149,654
Net Income (loss) attributable to equity holders of the Company	-64,334	-649,949	-149,654
Comprehensive income (loss) attributable to equity holders of the Company	334,057	-211,206	-52,071
Basic earnings per share ("EPS") (in dollars)			
Earnings (loss) from continuing operations	0.00	-0.02	0.00
Net income (loss)	0.00	-0.02	0.00
Diluted EPS (in dollars)			
Earnings (loss) from continuing operations	0.00	-0.02	0.00
Net Income (loss)	0.00	-0.02	0.00
Balance Sheet			
Total Assets	52,859,111	55,783,296	10,353,848
Financial liabilities	3,805,335	2,307,543	5,884,162
Total Equity	48,321,491	53,475,753	4,469,686
Shares Outstanding at year end	34,173,352	34,143,352	14,167,570
Book Value per share	1.41	1.57	0.32

Results of Operations

As of March 31, 2013, 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.

Refer to Note 11 of the unaudited interim consolidated financial statements of the Company for a table of segmented data.

Revenues

MGG's consolidated revenues for the three months ended March 31, 2013 increased to $776,476, from $469,882 during the quarter ended March 31, 2012. The majority of this increase is attributable to having a larger investment property portfolio generating rental income and an insurance subsidiary that is more established.

The Company's investment property business contributed the majority of the revenue for the first quarter of 2013; $414,385 of rental income compared to $383,104 during the first quarter of 2012. As well, related to investment properties, in the first quarter, the Company realized a gain of $2,515 on disposal of investment properties which were classified as held for sale (nil Q1 2012). The Company also recognized a $1,136,125 unrealized fair value adjustment on investment properties in the period ending March 31, 2013 (nil – Q1 2012).

The Company's insurance business contributed $342,117 of net earned premium and $155,195 of net investment income during the three month period ending March 31, 2013. For the three months ending March 31, 2012 the Company's insurance business contributed $71,983 of net earned premium and $136,544 of net investment income.

The Company's corporate division earned $155 ($1,958 – Q1 2012) of net investment income for the three month period ending March 31, 2013 and $1,000 (nil – Q1 2012) of other revenue.

Expenses

During the first quarter of 2013, management spent considerable time and resources on a proposed acquisition of a company that would have substantially increased the size of MGG. In the end, this transaction was not completed. The costs related to this transaction were significant and were a main contributing factor to the large increase in professional fees from $140,127 in Q1 2012 to $419,959 in Q1 2013. It is not anticipated that The Company will attempt any other acquisitions in the near future and this expense is not expected to be recurring. In addition, the Company recognized the remaining expenses related to the change of exchange listing to the TSX Venture exchange. These expenses have been accruing since early in 2012 are not expected to be recurring going forwards.

Total expenses for the first quarter of 2013 increased to $2,078,207 from $1,258,333 during the first quarter of 2012. The increases in expenses for the quarter can be attributed to an increase in professional fees, salaries and wages, share based payments and net claims incurred. As the company was still relatively in start-up phase in early 2012, increases in expenses in 2013 were a result in the continued growth of the businesses of the Company.

Operating Profit (Loss)

The property business of MGG generated an Operating or EBITDA loss before the fair value adjustment on investment properties of $8,820 during the first quarter of 2013 (Q1 2012 – gain of $46,880). Included in this loss calculation for the quarter are share based payment expenses of $136,832 ($134,290 – Q1 2012). Without the share based payment expenses the property business would show a gain of $128,012 for the three months ending March 31, 2013 and $181,170 for the three months ending March 31, 2012. The decrease in the EBITDA number from 2012 to 2013 is the result of increased operating expenses offset by a slight increase in rental income. The operating expenses increased significantly due to the salaries and wages of the property company. During 2012 the Company worked extensively to grow the management team at the property company which resulted in significantly higher wages than in 2011, or early 2012.

MGG's insurance business generated an Operating or EBITDA loss of $334,705 during the first quarter of 2013 (Q1 2012 – loss of $463,943). Included in these loss calculations are share based payment expenses of $174,547 ($135,894 – Q1 2012). Without these share based payment expenses the insurance business would have incurred a loss of $160,158 ($328,049 – Q1 2012). In addition the insurance company reported net investment income of $155,195 for the first quarter 2013 ($136,544 – Q1 2012). The majority of the decrease in the loss is due to an increase in net premiums earned and continuing investment income offset by sizable marketing expenses associated with building the Mandal brand.

The Company's corporate overhead contributed to an Operating or EBITDA loss of $912,336 during the first quarter of 2013 ($354,045 - Q1 2012). Included in these loss calculations are share based payment expenses of $315,495 ($120,015 – Q1 2012). Without these share based payment expenses the insurance business would have a loss of $596,841 ($234,030 – Q1 2012). The large increase in this loss was incurred for legal and consulting expenses relating to the work done on the possible corporate merger which was discussed above in the "Expense" section. In addition, the company recognized the final expenses related to the change of exchange listing to the TSX Venture exchange.

In total the Company's consolidated divisions reported an Operating or EBITDA loss, before the fair value adjustment on investment properties of $1,255,861 during the first quarter of 2013 (Q1 2012 – loss of $771,108). Included in these loss calculations are share based payment expenses of $626,874 ($390,199 – Q1 2012). Without these share based payment expenses the consolidated Company would have a loss of $628,987 ($380,909 – Q1 2012). In addition the Company reported net investment income of $253,147 ($138,502 – Q1 2012) during the quarter.

	Property	Insurance	Corporate	Total
EBITDA	($8,820)	($334,705)	($912,336)	($1,255,861)
Share Based Payments	($136,832)	($174,547)	($315,495)	($626,874)
Investment Income	$97,797	$155,195	$155	$253,147
EBITDA Excluding Share Based Payments And Adding Investment Income	$225,809	$(4,963)	($596,686)	($375,840)

Net Income

For the quarter ended March 31, 2013, the Company incurred a net loss of $64,334 compared to a net loss of $649,949 for the quarter ended March 31, 2012. The increased revenue earned in the three months ending March 31, 2013 versus the three months ending March 31, 2012 was outweighed by a significant increase in professional fees and employee and consulting option amortization which is a result of growth in the Company's operations. The Company also benefited from a $1,136,125 unrealized gain from a fair value adjustment on a property during the quarter.

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 long-term 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

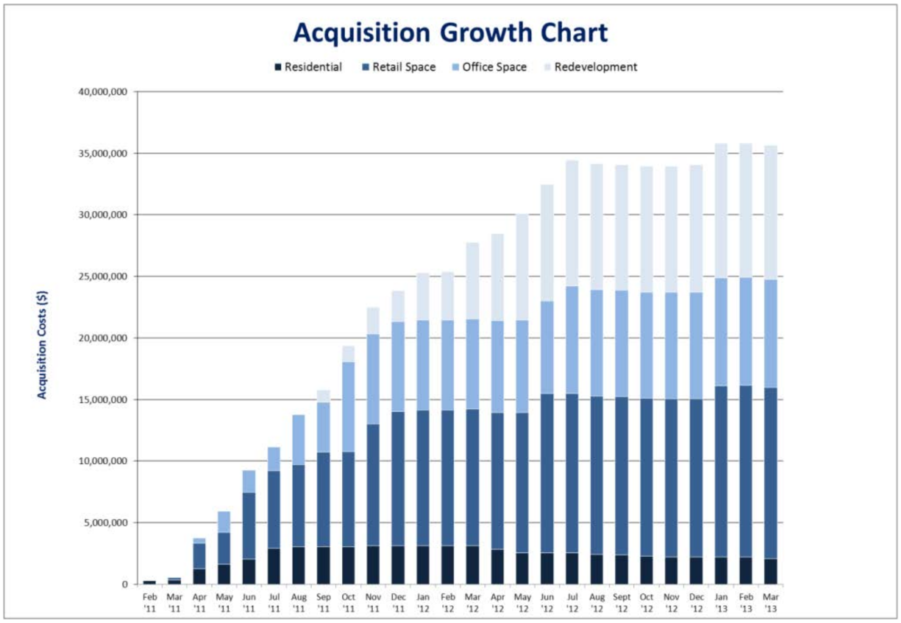
The following table provides selected financial information for the eight most recently completed quarters.

Quarterly Consolidated Financial Information

	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011
Revenue	776,476	618,435	577,905	571,472	469,882	360,914	186,134	42,263
Net income (loss)	-64,334	-3,661,096	-446,069	-494,782	-644,491	2,794,533	-820,149	-485,585
Income (loss) per common share	0.00	-0.10	-0.01	-0.02	-0.02	0.11	-0.03	-0.02
Total Assets	52,859,111	51,306,531	52,048,976	56,058,108	55,783,296	55,336,889	36,439,544	36,250,423
Weighted Average Shares	34,170,019	34,143,352	34,143,352	34,143,352	34,143,352	23,902,851	21,814,422	16,617,951
Ending Shares	34,173,352	34,143,352	34,143,352	34,143,352	34,143,352	34,143,352	30,297,168	30,297,198

MGG's revenue continued to grow, with first quarter consolidated revenue and net investment income increasing to $776,476 and $253,147 respectively, compared to first quarter of 2012 consolidated revenue and net investment income of $469,882 and $138,502, an increase of 65% and 83%.

The following chart describes the Company's month end net property portfolio at cost, by property type, since inception. Note that this chart includes 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, 2013 rate of 1373.7955

Property

During the first quarter, MGG's property subsidiary earned rental income of $414,385, compared to rental income of $383,104 during the same quarter of the previous year; an increase of 8%. This increase is the result of the addition of properties to the investment portfolio, offset by an increase in commercial properties being renovated, certain property revenues related to Mandal being eliminated on consolidation and the sale of certain residential units.

During the first quarter of 2013, this subsidiary has also earned net investment income of $97,797 on its investment portfolio, compared to $0 during the first quarter of the previous year.

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

MGG's investment property portfolio has increased to $33,260,289 in Q1 from $30,786,742 at the end of the 2012 fiscal year, taking into consideration the effects of foreign currency translation. This is a $2,473,547 or 8% increase compared to the end of the year. This increase was due to the purchase of two new properties offset by the sale of one small property as well as a fair value gain on an investment property that was undergoing renovations and was not available for use at year end and was recorded at the lower of cost and market in the annual consolidated financial statements. During the current quarter, the renovations were completed, and the property became available for use and began leasing space to tenants. A formal valuation was completed on the property in early 2013 and this has resulted in the unrealized gain on fair value adjustment on investment properties during the three month period ending March 31, 2013. The Company anticipates that the investment portfolio will continue to increase in the future.

Insurance

During the first three month period ending March 31, 2013, the insurance subsidiary earned net premiums of $342,117, compared to net earned premiums of $71,983 in the three month period ending March 31, 2012, an increase of 375%. This subsidiary has also earned net investment income of $155,195 on its investment portfolio, compared to $136,544 in Q1 2012, an increase of 14%.

The insurance subsidiary has spent aggressively to develop the Mandal brand name through advertising. The Company expects this marketing spending to increase nominally in the future, but decline relative to premiums written. The management team at Mandal continues to explore ways to leverage marketing spent through creative partnerships.

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.

Corporate

Quarterly expenses related to corporate operations totalled $915,759 for the period ending March 31, 2013, compared to $356,438 during the same period in 2012, an 156% increase. The increase in corporate expenses is mainly attributed to professional fees.

The Company has continued to incur elevated expenses at the corporate level due to the high cost of being a public company. It is expected that expenses should normalize in future quarters.

Professional fees totalled $419,959 during Q1 2013, up from $140,127 in Q1 2012. This increase is attributable to increases in legal expenses, audit expenses and various other professional fees including property valuation fees. A substantial portion of this increase incurred as a result of the Company's negotiations to acquire a company. It is anticipated that Professional fees will decline going forward as no major corporate actions are contemplated.

Related Party Transactions

For the three months ending March 31, 2013, Mandal General Insurance paid $24,333 ($33,645 – Q1 2012) to property subsidiaries of MGG, as payment for their office rental and a retail outlet. Also for the three months ended March 31, 2013, the Company's various property subsidiaries paid a total of $8,376 ($8,024 – Q1 2012) to Mandal General Insurance for insurance coverages on MGG's portfolio of investment properties along with various auto insurances. 99% of the property related risks associated to these coverages were ceded to a well-rated re-insurer and a well-rated direct lines insurer.

These related party transactions are not expressed in segmented reporting of either the insurance business or the property business as both the revenue and expenses associated to them are eliminated upon consolidation.

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, 2012, the unrealized loss on fair value adjustment was $2,697,212 (Gain of $5,740,919 – 2011). During the first quarter of 2013, there was a fair value adjustment gain relating to a property that was not available for use at year end and thus was recorded at the lower of cost and market, but adjusted during the first quarter of 2013 as the property became available for use.

- 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, 2013, the insurance contract liabilities totalled $2,544,441 ($566,084 – Q1 2012).

- 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, 2013, the cost of the share based payments totalled $626,874 ($390,199 – Q1 2012).

- 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.

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, 2013, the Company's working capital was $11,155,869 (Q1 2012 - $19,228,652) and the Company had no debt.

Off-Balance Sheet Items

As of March 31, 2013, 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 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

The Company does not believe its current maturity profile 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, 2013. The Company's insurance subsidiary does have material liabilities which, in the event of a large claim, could result in short-term liquidity issues at the subsidiary.

Currency risk

The Company owns properties located in Mongolia and marketable securities in Mongolia, 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, 2013 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 past 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.

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. 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 have increased rapidly, particularly in office and prime retail locations. 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.

Since inception, MGG has acquired a number of redevelopment properties. To date the Company has only remodeled, rebuilt and completed additions on properties. It is Management's intent to begin small-scale denovo property development on both company owned brownfield and greenfield sites. MGG's intent is to remain a substantial owner of the properties, post-completion.

During the second half of 2012, the Company began the substantial renovation of its corporate headquarters and two other office buildings. This renovation resulted in certain tenants leaving the buildings or reconfiguring their office space usage. Now that these renovations are complete, the spaces have been substantially improved and have led to increased rental revenues for the property division.

Insurance

The Company's insurance subsidiary 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 at Mandal is to underwrite conservatively so that all stakeholders are confident that insureds will be compensated on all legitimate claims. Through the use of reinsurance, Mandal attempts to ensure that it can cover losses due to high severity and 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 associated reserves, which generate investible float. Due to Mongolia's high interest rate environment, float is incredibly valuable.

Corporate

The corporate operations of MGG are primarily associated with managing its operating divisions, capital allocation, capital raising, investor communication, public company disclosure and compliance, internal audit and generally ensuring the smooth operations of the business of MGG as a public company.

By their nature, corporate operations are a cost center. Following a sizable increase in expenses during the first full year of operations, management expects that these expenses will moderate near current levels. It should be noted that expenses have remained elevated for longer than expected due to certain legal and professional expenses that have remained ongoing, but are expected to have terminated during the first quarter.

Outlook

The Mongolian economy continues to grow at a steady rate based on data from The National Statistics Office of Mongolia ("NSO") – April 2013 edition, with preliminary estimates of annualized nominal first four months of 2013 GDP growth of 7.2%. The Mongolian Consumer Price Index increased an annualized 10.4% during the first three months of the year 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 an impressive 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.

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 its inception.

It is widely anticipated that the Mongolian economy will remain strong through 2013, which should bode well for the Company.

It is anticipated that the Company will continue to seek ways to raise additional equity capital to further the development of its businesses. MGG is also exploring utilizing conservative levels of debt funding for its property investments however, there can be no certainty that capital can be borrowed at rates that are attractive to the company.

Liquidity

As at March 31, 2013, MGG had working capital of $11,155,869 (Q1 2012 - $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.

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 17.6% in the last 12 months ending March 31, 2013. Loans outstanding in the banking industry also increased substantially during the last 12 months, rising 35.7%. 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 payables and accrued liabilities. 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.

Certain members of parliament have recently asked to re-negotiate the agreement that exists between the government and Turquoise Hill regarding the current tax and stability agreement. There can be no certainty if any changes to the agreement will be reached and how it will impact the investment climate or future GDP growth of Mongolia.

During the last year the Company has purchased apartment units in a knowingly condemned building with the intent that through control of the homeowner's association the Company can procure a lease on the land underlying the building. The process of exerting control over a homeowner's association in order to develop the underlying land-plot is an extensive legal process, is complicated, lacks precedent and is a generally risky proposition. The company currently owns 50 of the 51 apartments in the building, has an agreement with the last owner to exchange his unit for space in any future building and has applied to the city for the respective land use permissions.

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. A comprehensive set of risk disclosures are included in the Company's most recently filed annual MD&A.

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.

Events Subsequent to Quarter End

There were no subsequent events to Quarter End.

Outstanding Share Data

As at March 31, 2013, the Company had 34,173,352 common shares issued and outstanding. As at March 31, 2013, 10,584,000 of the Company's common shares, or approximately 31% of the issued and outstanding shares, were directly or indirectly controlled by the Company's directors and officers. As of March 31, 2013, the Company had 400,000 stock options outstanding with an exercise price of $1.64 per share (300,000 have an expiry date of March 9, 2021 and 100,000 have an expiry date of March 9, 2014). The Company also had 170,000 options outstanding with an exercise price of $1.90 per share with an expiry date of March 9, 2021 (200,000 options were issued initially, of which 30,000 were exercised in the quarter). 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 2012). The Company had 150,000 options outstanding with an expiry date of September 7, 2016 and an exercise price of $4.77 (175,000 options were issued initially, 25,000 were forfeited during 2012). In addition, the Company had 110,000 options outstanding with an expiry date of December 2, 2016 and an exercise price of $4.25 (150,000 options were issued initially, 30,000 were forfeited during 2012 and 7,500 were forfeited and 2,500 were cancelled in Q1 of 2013). Furthermore, 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. Lastly, the Company had 350,000 options to purchase shares of MGG at a price of $4.13 with an expiry date of March 1, 2018 and 125,000 with an expiry date of March 1, 2016.

At period-end, the Company had 468,000 options that were exercisable (Q1 2012 - 0)

Outstanding	as at March 31, 2013
Common shares	34,173,352
Options to buy common shares	2,217,000

Additional Information

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