

Mongolia Growth Group Ltd.

Condensed Interim Consolidated Financial
Statements

(Unaudited)

For the three months ended

March 31, 2014 and 2013

(expressed in Canadian dollars)

Mongolia Growth Group Ltd.

Condensed Interim Consolidated Statements of Financial Position (Unaudited)

(expressed in Canadian dollars)

	March 31, 2014 \$	December 31, 2013 \$
Assets		
Current assets		
Cash and cash equivalents	2,479,743	5,370,319
Other assets	2,652,588	4,046,491
	5,132,331	9,416,810
Non-current assets		
Other assets	1,709,592	1,645,125
Investment properties (note 7)	39,344,790	32,313,391
Property and equipment (note 8)	3,066,962	3,915,692
	49,253,675	47,291,018
Total assets	49,253,675	47,291,018
Liabilities		
Current liabilities		
Trade payables and accrued liabilities	2,691,433	874,222
Income taxes payable	10,165	4,121
	2,701,598	878,343
Non-current liabilities		
Deferred income tax liability	1,124,587	1,090,117
	3,826,185	1,968,460
Total liabilities	3,826,185	1,968,460
Equity (note 9)		
Share capital	52,789,424	52,204,394
Contributed surplus	4,907,308	4,423,914
Accumulated other comprehensive loss	(7,745,993)	(6,086,341)
Deficit	(4,523,249)	(5,219,409)
	45,427,490	45,322,558
Total equity	45,427,490	45,322,558
Total equity and liabilities	49,253,675	47,291,018

Approved by the Board of Directors

Signed "Paul Sweeney"

Director

Signed "Bill Fleckenstein"

Director

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

Mongolia Growth Group Ltd.

Condensed Interim Consolidated Statement of Operations

(Unaudited)

For the three month period ended March 31

(expressed in Canadian dollars)

	March 31, 2014 \$	March 31, 2013 \$ (Restated – note 6)
Revenue		
Rental income	482,624	414,385
Other revenue	151,957	11,368
Total revenue	<u>634,581</u>	<u>425,753</u>
Expenses		
Salaries and wages	288,320	220,677
Other expenses (note 14)	916,920	673,906
Share based payment	425,024	452,327
Depreciation	34,116	35,000
Total expenses	<u>1,664,380</u>	<u>1,381,910</u>
Net investment income	17,678	97,952
Unrealized gain on fair value adjustment on investment properties (note 7)	<u>1,824,323</u>	<u>1,136,125</u>
Net income before income taxes	812,202	277,920
Provision for income taxes	<u>(116,042)</u>	<u>(136,000)</u>
Income from continuing operations	696,160	141,920
Loss from discontinued operations (note 6)	<u>-</u>	<u>(206,254)</u>
Net Income (loss) for the period	<u>696,160</u>	<u>(64,334)</u>
Net income (loss) per share		
Basic		
From continuing operations	\$0.02	\$0.01
From discontinued operations	-	(0.01)
From net income (loss) for the period	0.02	(0.00)
Diluted		
From continuing operations	\$0.02	\$0.01
From discontinued operations	-	(0.01)
From net income (loss) for the period	0.02	(0.00)

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

Mongolia Growth Group Ltd.

Condensed Interim Consolidated Statement of Comprehensive Income (Loss)

(Unaudited)

For the three month period ended March 31

(expressed in Canadian dollars)

	March 31, 2014 \$	March 31, 2013 \$ (Restated – note 6)
Net income (loss) for the period	696,160	(64,334)
Other comprehensive loss		
Items that may be subsequently reclassified to income or loss		
Unrealized gain (loss) on translation of financial statement operations with Mongolian MNT functional currency to Canadian dollar reporting currency - continuing operations	(1,659,652)	373,375
Unrealized gain on translation of financial statement operations with Mongolian MNT functional currency to Canadian dollar reporting currency - discontinued operations	-	25,016
Total comprehensive income (loss)	<u>(963,492)</u>	<u>334,057</u>

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

Mongolia Growth Group Ltd.

Condensed Interim Consolidated Statement of Changes in Equity

(Unaudited)

For the three month period ended March 31

(expressed in Canadian dollars)

	Share capital \$	Contributed surplus \$	Accumulated other comprehensive income \$	Deficit \$	Total \$
Balance at January 1, 2013	51,681,818	3,214,195	(2,528,607)	(5,063,846)	47,303,560
Net loss for the period	-	-	-	(64,334)	(64,334)
Other comprehensive income	-	-	398,391	-	398,391
	51,681,818	3,214,195	(2,130,216)	(5,128,180)	47,637,617
Share capital issued	103,577	(46,577)	-	-	57,000
Share based payment	-	626,874	-	-	626,874
Share issue costs	-	-	-	-	-
Balance at March 31, 2013	51,785,395	3,794,492	(2,130,216)	(5,128,180)	48,321,491

	Share capital \$	Contributed surplus \$	Accumulated other comprehensive loss \$	Deficit \$	Total \$
Balance at January 1, 2014	52,204,394	4,423,914	(6,086,341)	(5,219,409)	45,322,558
Net income for the period	-	-	-	696,160	696,160
Other comprehensive income	-	-	(1,659,652)	-	(1,659,652)
	52,204,394	4,423,914	(7,745,993)	(4,523,249)	44,359,066
Share capital issued	585,030	(141,630)	-	-	443,400
Share based payment	-	625,024	-	-	625,024
Balance at March 31, 2014	52,789,424	4,907,308	(7,745,993)	(4,523,249)	45,427,490

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

Mongolia Growth Group Ltd.

Condensed Interim Consolidated Statement of Cash Flows (Unaudited) For the three month period ended March 31

(expressed in Canadian dollars)

	March 31, 2014 \$	March 31, 2013 \$
Cash provided by (used in)		
Operating activities		
Net income (loss) for the period	696,160	(64,334)
Items not affecting cash		
Depreciation of property and equipment	34,116	45,870
Share based payment	425,024	626,874
Deferred taxes	80,773	118,339
Realized gain on disposal of investment properties (note 7)	(142,821)	(2,515)
Unrealized gain on fair value adjustment on investment properties (note 7)	(1,824,323)	(1,136,125)
	(731,071)	(411,891)
Net change in non-cash working capital balances (note 12)	455,754	(463,857)
	(275,317)	(875,748)
Financing activities		
Proceeds from share issuance	443,400	57,000
	443,400	57,000
Investing activities		
Purchase of investments	-	(108,843)
Disposition of investments	-	168,185
Net acquisition of property and equipment (note 8)	(6,481)	(77,221)
Net acquisition of investment properties (note 7)	(2,997,780)	(1,082,584)
	(3,004,261)	(1,100,463)
Effect of exchange rates on cash	(54,398)	80,391
Decrease in cash and cash equivalents	(2,890,576)	(1,838,820)
Cash and cash equivalents - Beginning of period	5,370,319	8,702,253
Cash and cash equivalents - End of period	2,479,743	6,863,433

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

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

March 31, 2014

(expressed in Canadian dollars)

1 Corporate information

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

At March 31, 2014, the Company is organized into two business units based on the business operations:

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

2 Basis of presentation

These unaudited condensed interim consolidated financial statements for the period ending March 31, 2014 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) applicable to the preparation of interim financial statements, including IAS 34 Interim Financial Reporting. The condensed interim consolidated financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2013, which have been prepared in accordance with IFRS as issued by the IASB.

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

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

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

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

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

March 31, 2014

(expressed in Canadian dollars)

These condensed interim consolidated financial statements were approved for issue by the Board of Directors of the Company on May 30, 2014.

3 Significant accounting policies

The significant accounting policies are unchanged from those set out in the Company's 2013 annual consolidated financial statements except for the adoption of amendments described in Note 5. These policies have been applied to all periods presented in these interim consolidated financial statements, and have been applied consistently by both the Company and its subsidiaries using uniform accounting policies for like transactions and other events in similar circumstances.

4 Significant accounting estimates and judgements

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

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

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

- Fair value of investment properties - The estimate of fair value of investment properties is the most critical accounting estimate to the Company. An external appraiser estimates the fair value of the majority of investment properties annually. The fair value of investment properties is based on the nature, location and condition of the specific asset. The fair value of investment properties represents an estimate of the price that would be made in an arm's length transaction between knowledgeable, willing parties. The Company operates in the emerging real estate market of Mongolia, which given its current economic, political and industry conditions, gives rise to an increased inherent risk given the lack of reliable and comparable market information. The significant estimates underlying the fair value determination are disclosed in note 10 of the annual financial statements for the year ended December 31, 2013. Changes in assumptions about these factors could materially affect the carrying value of investment properties.

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

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(expressed in Canadian dollars)

- Accuracy of share based compensation expense - The estimate of the ultimate expense arising from share based compensation plans is another critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the share based compensation expense recorded by the Company. The ultimate expense is estimated by using a number of key assumptions such as the expected volatility of the share price, the dividends expected on the shares, the risk-free interest rate for the expected life of the option and future forfeiture rates. Further information on key assumptions including sensitivity analysis is included in note 16 of the annual financial statements for the year ended December 31, 2013.
- Operating environment of the Company - Mongolia displays many characteristics of an emerging market including relatively high inflation and interest rates. The tax and customs legislation in Mongolia is subject to varying interpretations and frequent changes. The future economic performance of Mongolia is tied to the continuing demand from China and continuing high global prices for commodities as well as being dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government of Mongolia together with tax, legal, regulatory and political developments. Management is unable to predict all developments that could have an impact on the Mongolian economy and consequently what effect, if any, they could have on the future financial position of the Company.

5 New accounting standards

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2014 or later. Those standards applicable to periods beginning after January 1, 2014 have not been applied in preparing these consolidated financial statements. Those new standards and amendments applicable to annual periods beginning January 1, 2014 have been adopted and there has been no impact on the consolidated financial statements as a result. Those which are relevant to the Company are set out below. The Company does not plan to adopt any standards early and is continuing to evaluate the impact of such standards.

IAS 39 – Financial Instruments: Recognition and Measurement

IAS 39, Financial Instruments: Recognition and Measurement, was amended to clarify that hedge accounting should be continued when a derivative financial instrument designated as a hedging instrument is replaced from one counterparty to a central counterparty or an entity acting in that capacity and certain conditions are met. The amendment was effective for annual periods beginning on or after January 1, 2014.

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

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IFRIC 21 – Levies

IFRIC 21, Levies, sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognized. The interpretation was effective for annual periods beginning on or after January 1, 2014.

IFRS 9 – Financial Instruments

IFRS 9 – Financial Instruments introduces new requirements for classifying and measuring financial assets and financial liabilities. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 also introduced additional changes related to financial liabilities.

The IASB also recently introduced amendments to IFRS related to hedge accounting. The Standard is not applicable until annual periods beginning on or after January 1, 2015, but is available for early adoption. In November 2013, the IASB issued three amendments affecting IFRS 9, IAS 7 and IAS 39. The first amendment sets out new hedge accounting requirements. The second amendment allows entities to apply the accounting for changes from own credit risk in isolation without applying the other requirements of IFRS 9. The third amendment removes the mandatory effective date of IFRS 9 from January 1, 2015 to a new date that will be determined when IFRS 9 is closer to completion.

6 Disposal of subsidiary

During the year ended December 31, 2013, the Company disposed of its interest in Mandal General Insurance LLC (Mandal). The Company held 100% of the shares of Mandal with net assets at the date of disposal of \$2,484,624.

As part of this transaction, the Company filed a formal application with the Financial Regulatory Commission (FRC) of Mongolia to seek permission for disposal of Mandal, which was granted. The deal was closed on December 20, 2013 with the Company selling its stake to UMC Capital LLC (UMC) for consideration of \$3,669,951. Cash consideration of \$458,101 was paid at the date of closing with the remaining \$3,337,710 (US\$3,019,460) as at March 31, 2013 due in instalments over an 18 month period. The amount receivable of \$3,337,710 includes an unrealised revaluation gain on foreign currency of \$125,860 over the year end December 31, 2013.

The comparative income statement has been restated to show these operations separately from the continuing operations. Management committed to a plan to sell this segment due to a strategic decision to place greater focus on the Company's core operation, being investment properties.

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

March 31, 2014

(expressed in Canadian dollars)

Loss attributable to discontinued operations was as follows:

	March 31, 2014 \$	March 31, 2013 \$
Net premiums earned	-	342,117
Other revenue	-	8,606
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	-	350,723
Salaries and wages	-	171,102
Other expenses	-	339,778
Share based payment	-	174,547
Depreciation	-	10,870
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	-	696,297
Net investment income	-	155,195
	<hr/>	<hr/>
	-	(190,379)
Provision for income taxes	-	(15,875)
	<hr/>	<hr/>
Loss for the period	-	(206,254)
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Cash flows from (used in) discontinued operations:		
Net cash from operating activities	-	966,245
Net cash used from investing activities	-	(832,514)
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Net effect on cash flows	-	(133,731)
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Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

March 31, 2014

(expressed in Canadian dollars)

7 Investment properties

	March 31, 2014 \$	December 31, 2013 \$
Balance - beginning of period	32,313,391	30,786,742
Additions		
Acquisitions	6,465,868	1,684,451
Capital expenditures	307,389	131,137
Transfer from property and equipment	689,054	204,995
Transfer from prepaid deposits	722,572	-
Disposals	(1,287,411)	(921,126)
Unrealized fair value adjustment	1,824,323	4,040,173
Foreign exchange adjustments	(1,690,396)	(3,612,981)
Balance - end of period	<u>39,344,790</u>	<u>32,313,391</u>

In February 2014, the Company purchased a property for \$6,465,868, in a transaction which involved the Company committing to \$5,137,820 in cash and two properties at a selling price of \$1,328,048. As at March 31, 2014, the Company had paid \$2,928,090 whereas the remaining amount of \$2,209,730 falls due in August 2014 and is currently recorded in trade payables and accrued liabilities. The two properties included in the consideration paid were recorded at a value of \$1,186,163 resulting in a gain on sale of \$141,885. Of these two properties sold, \$1,036,182 were classified as Investment properties and the remaining \$149,981 as other assets.

In addition to the two properties disposed of, as discussed above, a further four investment properties were sold during the quarter for cash consideration of \$251,229. There was no gain or loss on sale associated with the disposal of these properties.

As of March 31, 2014, included in investment properties are investment properties actively being marketed for sale that are to be disposed without redevelopment with a fair value of \$2,463,757 (March 31, 2013 - \$2,883,050).

During the three month period March 31, 2014, management applied its judgment to calculate the fair value of investment properties using the income approach and the sales comparable approach, which are generally accepted appraisal methodologies.

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

March 31, 2014

(expressed in Canadian dollars)

8 Property and equipment

	2013				
	Furniture and fixtures \$	Equipment \$	Vehicles \$	Buildings \$	Total \$
December 31					
Cost	71,844	111,745	137,170	3,863,751	4,184,510
Accumulated depreciation	16,873	26,267	31,472	194,206	268,818
Net book value	54,971	85,478	105,698	3,669,545	3,915,692

	2014				
	Furniture and fixtures \$	Equipment \$	Vehicles \$	Buildings \$	Total \$
Cost					
At January 1	71,844	111,745	137,170	3,863,751	4,184,510
Additions	1,236	5,245	-	-	6,481
Transfers	-	-	-	(738,823)	(738,823)
Foreign exchange adjustment	(3,005)	(3,643)	(5,574)	(130,465)	(142,687)
At March 31	70,075	113,347	131,596	2,994,463	3,309,481

	2014				
	Furniture and fixtures \$	Equipment \$	Vehicles \$	Buildings \$	Total \$
Accumulated depreciation					
At January 1	16,873	26,267	31,472	194,206	268,818
Depreciation	1,575	9,004	3,087	20,450	34,116
Transfers	-	-	-	(49,769)	(49,769)
Foreign exchange adjustment	(293)	(3,041)	(689)	(6,623)	(10,646)
At March 31	18,155	32,230	33,870	158,264	242,519
Net book value at March 31	51,920	81,117	97,726	2,836,199	3,066,962

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

March 31, 2014

(expressed in Canadian dollars)

9 Equity

Common shares issued

The common shares issued during the period were completed through a private placement and the exercise of share options. The shares issued and proceeds raised were as follows:

	Number of shares issued	Amount \$
February 28, 2014	60,000	98,400
March 19, 2014	50,000	95,000
March 31, 2014	125,000	250,000
	<hr/>	<hr/>
	235,000	443,400

Stock options

A summary of the Company's options as at March 31, 2014 and December 31, 2013 and changes during the periods then ended follows:

	March 31, 2014	Weighted average exercise price \$	December 31, 2013	Weighted average exercise price \$
Balance, beginning of period	1,957,000	3.76	1,782,000	3.40
Options cancelled	(222,000)	4.2	(65,000)	4.20
Options granted	1,163,000	1.90	475,000	4.13
Options forfeited	(325,000)	4.32	(75,000)	4.21
Options exercised	(110,000)	1.76	(160,000)	1.84
	<hr/>		<hr/>	
Balance, end of the year	2,463,000	2.99	1,957,000	3.76
	<hr/>		<hr/>	
Exercisable	1,419,750	2.91	1,324,500	3.44
	<hr/>		<hr/>	
Weighted remaining average life (years)		3.21		3.55

In the period, 50,000 options were exercised at a price of \$1.90 and 60,000 options were exercised at a price of \$1.64 for total cash proceeds of \$235,000 (2013 – nil). During the same period, 325,000 options with a weighted average exercise price of \$4.32 were forfeited. In addition, 222,000 options with a weighted average exercise price of 4.20 were cancelled during this time.

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Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

March 31, 2014

(expressed in Canadian dollars)

On March 3, 2014, the Company issued 1,128,000 five year stock options at a price of \$1.90 per share and 35,000 three year stock options at a price of \$1.90.

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

	March 31, 2014	December 31, 2013
	\$	\$
Weighted average number of shares – basic	34,330,685	34,256,557
Effect of dilutive stock options	1,493,000	440,000
	<hr/>	<hr/>
Weighted average number of shares – diluted	<u>35,823,685</u>	<u>34,696,557</u>

Basic earnings (loss) per share are derived by dividing net income (loss) for the period by the weighted average number of common shares outstanding for the period. The effect of potentially dilutive securities is excluded if they are anti-dilutive.

10 Related party transactions

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

On August 8, 2013, the Company loaned a member of key management \$100,000 with a fixed interest rate of 6% payable to the Company within six months from the loan date. The loan was paid in February 2014.

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

	March 31, 2014	March 31, 2013
	\$	\$
Salaries and other short-term employee benefits	97,919	39,860
Share-based payments	298,407	296,471
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	<u>396,326</u>	<u>336,331</u>

Mongolia Growth Group Ltd.

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(Unaudited)

March 31, 2014

(expressed in Canadian dollars)

11 Contingent liabilities

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

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

12 Supplementary cash flow information

	March 31, 2014 \$	March 31, 2013 \$
Changes in non-working capital arising from		
Other assets	521,283	(695,387)
Trade payables and accrued liabilities	(74,186)	153,271
Reinsurance assets	-	(168,189)
Deferred acquisition expense	-	10,594
Income taxes payable	8,657	9,100
Insurance contract liabilities	-	226,754
	<hr/>	<hr/>
Changes in non-cash working capital from operating activities	455,754	(463,857)

Income taxes paid during the quarter were \$118,236 (March 31, 2013: 137,349).

13 Segment information

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

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

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

Prior to December 20, 2013, the Company's reportable segments included Insurance Operations as well. Insurance Operations included general property and casualty insurance products in Mongolia. Insurance

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March 31, 2014

(expressed in Canadian dollars)

underwriting and claims handling functions were administered through Mandal General Insurance LLC. These operations were disposed of on December 20, 2013 (Note 6).

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

	Three months ended March 31, 2014		
	Investment property \$	Corporate \$	Total \$
Rental income	482,624	-	482,624
Property operating expenses	(378,633)	-	(378,633)
Unrealized gain on fair value adjustment on investment properties	1,824,323	-	1,824,323
Share based payment	(127,798)	(297,226)	(425,024)
Other expenses	(271,766)	(554,841)	(826,607)
Depreciation	(32,440)	(1,676)	(34,116)
Net investment income	17,279	399	17,678
Gain on disposal of investment property	142,821	-	142,821
Other revenue	8,875	261	9,136
Net income (loss) before income taxes	1,665,285	(853,083)	812,202

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

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March 31, 2014

(expressed in Canadian dollars)

	Three months ended March 31, 2013			
	Investment property \$	Insurance \$	Corporate \$	Total \$
Rental income	414,385	-	-	414,385
Property operating expenses	(244,046)	-	-	(244,046)
Unrealized gain on fair value adjustment on investment properties	1,136,125	-	-	1,136,125
Net premiums earned	-	342,117	-	342,117
Claims and insurance benefits incurred	-	(223,490)	-	(223,490)
Share based payment	(136,832)	(174,547)	(315,495)	(626,874)
Other expenses	(52,696)	(287,391)	(597,841)	(937,928)
Depreciation	(32,577)	(10,870)	(2,423)	(45,870)
Net investment income	97,797	155,194	155	253,146
Gain on disposal of investment property	2,515	-	-	2,515
Other revenue	7,853	8,606	1,000	17,459
Net income (loss) before income taxes	1,192,524	(190,381)	(914,604)	87,539

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

March 31, 2014

(expressed in Canadian dollars)

	March 31, 2014		
	Investment property \$	Corporate \$	Consolidated \$
Total assets	44,171,614	5,082,061	49,253,675
Property and equipment	3,046,666	20,296	3,066,962
Investment properties	39,344,790	-	39,344,790
Period Expenditures			
Property and equipment	6,481	-	6,481
Investment properties	2,997,780	-	2,997,780

	March 31, 2013			
	Investment property \$	Insurance \$	Corporate \$	Consolidated \$
Total assets	45,631,782	6,330,288	897,041	52,859,111
Property and equipment	4,384,110	226,829	26,679	4,637,618
Investment properties	33,260,289	-	-	33,260,289
Period Expenditures				
Property and equipment	50,585	24,440	2,196	77,221
Investment properties	1,082,584	-	-	1,082,584

	<u>Revenue</u>		<u>Property and equipment</u>		<u>Investment property</u>	
	March 31, 2014 \$	March 31, 2013 \$	March 31, 2014 \$	March 31, 2013 \$	March 31, 2014 \$	March 31, 2013 \$
Canada	-	1,000	20,296	26,679	-	-
Mongolia	634,581	775,476	3,046,666	4,610,939	39,344,790	33,260,289
	634,581	776,476	3,066,962	4,637,618	39,344,790	33,260,289

Revenue in Mongolia for the three months period ended March 31, 2013 includes \$350,723 from discontinued operations.

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

March 31, 2014

(expressed in Canadian dollars)

14 Other expenses

	March 31, 2014 \$	March 31, 2013 \$ (Restated – note 6)
Professional fees	504,051	419,770
Travel	47,513	55,418
Advertising	33,631	3,432
Land and property tax	88,249	57,560
Insurance	15,788	6,822
Utility expense	28,687	28,886
Other expenses	199,001	102,018
	<hr/>	<hr/>
	916,920	673,906

15 Subsequent events

The Corporation obtained US\$3,000,000 (CDN\$3,316,200) of financing through a commercial bank in Mongolia which bears interest between 12-15% and is reviewed annually by the bank. As of May 29, 2014, the Corporation has drawn US\$1,200,000 (CDN\$1,326,480) on this investment loan.