

# **Mongolia Growth Group Ltd.**

Interim Consolidated Financial Statements  
(Unaudited)  
For the nine months ended  
**September 30, 2012 and 2011**  
(expressed in Canadian dollars)

The accompanying unaudited interim consolidated financial statements have been prepared by management and approved by the Board of Directors of the Company. These statements have not been reviewed by the Company's external auditors.

**Mongolia Growth Group Ltd.**  
**Interim Consolidated Statements of Financial Position**  
**(Unaudited)**

(expressed in Canadian dollars)

	September 30, 2012 \$	December 31, 2011 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	8,914,087	20,078,948
Investments and marketable securities	1,733,511	2,569,778
Other assets	1,143,282	427,949
Reinsurance assets	5,665	7,760
Deferred acquisition expenses	11,586	15,175
	11,808,131	23,099,610
<b>Non-current assets</b>		
Investments and marketable securities	1,543,930	1,446,983
Investment properties (note 4)	34,378,308	26,166,286
Property and equipment (note 5)	4,318,607	4,624,010
	52,048,976	55,336,889
<b>Total assets</b>		
<b>Liabilities</b>		
Trade and accrued liabilities	911,763	859,213
Income taxes payable	661,293	819,096
Insurance contract liabilities	443,274	361,820
	2,016,330	2,040,129
<b>Total liabilities</b>		
<b>Equity</b> (note 6)		
<b>Share capital</b>	51,676,360	51,681,818
<b>Contributed surplus</b>	3,017,072	1,846,475
<b>Accumulated other comprehensive loss</b>	(4,085,348)	(1,241,437)
<b>Retained earnings</b>	(575,438)	1,009,904
	50,032,646	53,296,760
<b>Total equity</b>		
<b>Total equity and liabilities</b>	52,048,976	55,336,889

**Approved by the Board of Directors**

\_\_\_\_\_  
 Signed "Bill Fleckenstein" Director      Signed "Paulo Bilezikjian" Director

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

# Mongolia Growth Group Ltd.

## Interim Consolidated Statement of Operations

(Unaudited)

For the three and nine month period ended September 30, 2012 and 2011

(expressed in Canadian dollars)

	For the three months ended September 30,		For the nine months ended September 30,	
	2012	2011	2012	2011
	\$	\$	\$	\$
<b>Revenue</b>				
Net premiums earned	107,025	-	297,690	-
Rental income	407,769	186,134	1,174,793	228,397
Gain on disposal of investment property	45,065	-	116,038	-
Other revenue	18,046	-	30,738	-
Total revenue	577,905	186,134	1,619,259	228,397
<b>Expenses</b>				
Salaries and wages	266,347	269,021	709,916	345,514
Other expenses (note 11)	615,808	288,321	1,861,030	640,174
Share based payment	390,199	391,143	1,170,597	710,591
Depreciation	27,099	106,467	68,332	141,585
Investor relations	84,836	7,605	108,556	11,672
Total expense	1,384,289	1,062,557	3,918,431	1,849,536
<b>Net investment income</b>	244,621	56,275	598,136	175,759
<b>Unrealized gain on fair value adjustment on investment properties</b>	199,080	-	199,080	-
<b>Net loss for the period before income taxes</b>	(362,683)	(820,148)	(1,501,956)	(1,445,380)
<b>Income tax expense</b>	83,386	-	83,386	-
<b>Net loss for the period</b>	(446,069)	(820,148)	(1,585,342)	(1,445,380)
<b>Net loss per share</b>				
Basic	(0.01)	(0.03)	(0.05)	(0.07)
Diluted	(0.01)	(0.03)	(0.04)	(0.07)

The accompanying notes are an integral part of these financial statements

## **Mongolia Growth Group Ltd.**

### Interim Consolidated Statement of Comprehensive Income (loss)

(Unaudited)

**For the three and nine month period ended September 30, 2012 and 2011**

---

(expressed in Canadian dollars)

	For the three months ended September 30,		For the nine months ended September 30,	
	2012	2011	2012	2011
	\$	\$	\$	\$
<b>Net loss for the period</b>	(446,069)	(820,148)	(1,585,342)	(1,445,380)
<b>Other comprehensive loss - net of taxes</b>				
Unrealized loss on AFS marketable securities	-	(844,165)	-	(619,300)
Unrealized gains (loss) on translation of financial statement operations with Mongolian MNT functional currency to Canadian dollar reporting currency	(2,575,264)	1,197,360	(2,843,911)	1,141,196
<b>Total Comprehensive loss</b>	<b>(3,021,333)</b>	<b>(466,953)</b>	<b>(4,429,253)</b>	<b>(923,484)</b>

The accompanying notes are an integral part of these financial statements

# Mongolia Growth Group Ltd.

## Interim Consolidated Statement of Changes in Equity

(Unaudited)

For the three and nine month period ended September 30, 2012 and 2011

(expressed in Canadian dollars)

	Share capital \$	Contributed surplus \$	Accumulated other comprehensive income \$	Retained earnings (deficit) \$	Total \$
<b>Balance at January 1, 2011</b>	438,547	47,872	-	(339,249)	147,170
Net loss for the period	-	-	-	(1,445,380)	(1,445,380)
Other comprehensive income	-	-	521,896	-	521,896
	438,547	47,872	521,896	(1,784,629)	(776,314)
Share based payment	-	710,591	-	-	710,591
Share capital issued	36,530,708	-	-	-	36,530,708
Share issue costs	(305,824)	-	-	-	(305,824)
<b>Balance at September 30, 2011</b>	<b>36,663,431</b>	<b>758,463</b>	<b>521,896</b>	<b>(1,784,629)</b>	<b>36,159,161</b>

	Share capital \$	Contributed surplus \$	Accumulated other comprehensive loss \$	Retained earnings (deficit) \$	Total \$
<b>Balance at January 1, 2012</b>	51,681,818	1,846,475	(1,241,437)	1,009,904	53,296,760
Net loss for the period	-	-	-	(1,585,342)	(1,585,342)
Other comprehensive income	-	-	(2,843,911)	-	(2,843,911)
	51,681,818	1,846,475	(4,085,348)	(575,438)	48,867,507
Share based payment	-	1,170,597	-	-	1,170,597
Share issue costs	(5,458)	-	-	-	(5,458)
<b>Balance at September 30, 2012</b>	<b>51,676,360</b>	<b>3,017,072</b>	<b>(4,085,348)</b>	<b>(575,438)</b>	<b>50,032,646</b>

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

**Mongolia Growth Group Ltd.**  
**Interim Consolidated Statement of Cash Flows**  
(Unaudited)  
**For the three and nine month period ended September 30, 2012 and 2011**

(expressed in Canadian dollars)

	For the three months ended September 30,		For the nine months ended September 30,	
	2012	2011	2012	2011
	\$	\$	\$	\$
<b>Cash provided by (used in)</b>				
<b>Operating activities</b>				
Net loss for the period	(446,069)	(820,148)	(1,585,342)	(1,445,380)
Depreciation for property and equipment	27,099	106,467	68,332	141,585
Share based payment	390,199	391,143	1,170,597	710,591
Unrealized gain on fair value adjustment on investment properties (note 4)	(199,080)	-	(199,080)	-
	(227,851)	(322,538)	(545,493)	(593,204)
Net change in non-cash working capital balances (note 9)	(1,529,957)	153,022	(733,448)	(310,012)
Net operating cash flow	(1,757,808)	(169,516)	(1,278,941)	(903,216)
<b>Financing activities</b>				
Proceeds from share issuance	-	-	-	36,530,708
Cost of issue of shares	-	(4,790)	(5,458)	(305,824)
	-	(4,790)	(5,458)	36,224,884
<b>Investing activities</b>				
Purchase of investments	-	(5,495,473)	(2,387,668)	(12,490,544)
Disposal of investments	2,730,829	2,868,319	3,126,988	6,772,273
Net acquisition of property and equipment (note 5)	405,127	(137,072)	(78,017)	(338,879)
Acquisition of investment property (note 4)	(1,298,735)	(7,060,013)	(10,979,156)	(16,733,215)
Foreign currency translation effect on investment property (note 4)	2,885,522	-	2,019,638	-
Disposition of investment property (note 4)	519,065	-	1,273,196	-
	5,241,808	(9,824,239)	(7,025,019)	(22,790,365)
<b>Effect of exchange rates on cash</b>	(2,587,323)	1,197,360	(2,855,443)	1,141,196
<b>Increase (decrease) in cash and cash equivalents</b>	896,677	(8,801,185)	(11,164,861)	13,672,499
<b>Cash and cash equivalents - Beginning of period</b>	8,017,410	22,611,885	20,078,948	138,201
<b>Cash and cash equivalents - End of period</b>	8,914,087	13,810,700	8,914,087	13,810,700

The accompanying notes are an integral part of these financial statements

# **Mongolia Growth Group Ltd.**

## **Notes to Interim Consolidated Financial Statements**

(Unaudited)

**September 30, 2012**

---

(expressed in Canadian dollars)

### **1 Corporate information**

The accompanying unaudited 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, 700-2<sup>nd</sup> 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 706 - 34 Cumberland St. N., Thunder Bay, Ontario, P7A 4L3, Canada. The Company also has a business office for the Mongolian investment property and insurance companies in the Mandal Building on Seoul Street, Ulaanbaatar, Mongolia.

The Company is organized into three 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 or both;
- Mandal General Insurance LLC offers insurance products in Mongolia covering all common general insurance types. The Company's main lines of business are motor insurance, including voluntary motor third party liability, property, accident medical and travel and liability insurance;
- The MGG Corporate office is located in Thunder Bay, Canada and administers the financial resources, investment portfolio, corporate reporting, and legal functions of the Company.

### **2 Basis of presentation**

These interim consolidated financial statements 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 interim consolidated financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2011, which have been prepared in accordance with IFRS as issued by the IASB.

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).

These interim consolidated financial statements were approved by the Board of Directors of the Company for issue on November 26, 2012.

**Mongolia Growth Group Ltd.**  
**Notes to Interim Consolidated Financial Statements**  
(Unaudited)  
**September 30, 2012**

---

(expressed in Canadian dollars)

**3 Significant accounting policies**

These financial statements are based on the accounting policies consistent with those disclosed in note 3 of the 2011 annual consolidated financial statements. Refer to note 3 of the 2011 annual consolidated financial statements for information on new accounting standards and amendments not yet effected.

**4 Investment properties**

	Nine months ended September 30, 2012 \$	Twelve months ended December 31, 2011 \$
Balance - beginning of period	26,166,286	-
Additions		
Acquisitions <sup>(1)</sup>	10,693,359	21,621,505
Capital expenditures	285,797	819,698
Transfer from Property and Equipment	326,620	-
Disposals	(1,273,196)	-
Foreign currency translation	(2,019,638)	(2,015,836)
Unrealized fair value adjustment	199,080	5,740,919
	<hr/>	<hr/>
Balance - end of period	<u>34,378,308</u>	<u>26,166,286</u>

(1) Acquisition of foreign investment properties have been translated to Canadian dollars at the historical exchange rate and adjusted to reflect the September 30, 2012 and December 31, 2011 closing rate.

As of September 30, 2012, included in investment properties are investment properties actively being marketed for sale that are to be disposed without redevelopment with a fair value of \$298,627.

During the period, the Company transferred one property, which was previously owner-occupied, from property and equipment to investment properties. The unrealized gain of the property transferred was \$199,080 which was recognized in the statement of operations during the nine month period ended September 30, 2012.

The proceeds from the sale of investment properties were \$1,389,234. The assets and liabilities associated with the properties were derecognized and a gain on sale of investment property in the amount of \$116,038 was recorded.

The Company did not dispose of any properties during the year ended December 31, 2011.



**Mongolia Growth Group Ltd.**  
Notes to Interim Consolidated Financial Statements  
(Unaudited)  
**September 30, 2012**

(expressed in Canadian dollars)

**5 Property and equipment**

	<b>2011</b>				
	<b>Furniture and fixtures \$</b>	<b>Equipment \$</b>	<b>Vehicles \$</b>	<b>Buildings \$</b>	<b>Total \$</b>
<b>December 31</b>					
Cost	109,122	81,605	234,039	4,241,393	4,666,159
Accumulated depreciation	5,780	9,926	8,618	17,825	42,149
<b>Net book value</b>	<b>103,342</b>	<b>71,679</b>	<b>225,421</b>	<b>4,223,568</b>	<b>4,624,010</b>
	<b>2012</b>				
	<b>Furniture and fixtures \$</b>	<b>Equipment \$</b>	<b>Vehicles \$</b>	<b>Buildings \$</b>	<b>Total \$</b>
<b>Cost</b>					
<b>At January 1</b>	109,122	81,605	234,039	4,241,393	4,666,159
Additions	51,750	42,510	36,517	195,334	326,111
Disposals	-	-	-	-	-
Transfer to Investment Property	-	-	-	(326,620)	(326,620)
Foreign exchange adjustment	(4,239)	(6,764)	(6,993)	(230,098)	(248,094)
<b>At September 30</b>	<b>156,633</b>	<b>117,351</b>	<b>263,563</b>	<b>3,880,009</b>	<b>4,417,556</b>
	<b>2012</b>				
	<b>Furniture and fixtures \$</b>	<b>Equipment \$</b>	<b>Vehicles \$</b>	<b>Buildings \$</b>	<b>Total \$</b>
<b>Accumulated depreciation</b>					
<b>At January 1</b>	5,780	9,926	8,618	17,825	42,149
Depreciation	14,388	16,575	17,743	19,626	68,332
Foreign exchange adjustment	(1,041)	1,934	(1,540)	(10,885)	(11,532)
<b>At September 30</b>	<b>19,127</b>	<b>28,435</b>	<b>24,821</b>	<b>26,566</b>	<b>98,949</b>
<b>Net book value at September 30</b>	<b>137,506</b>	<b>88,916</b>	<b>238,742</b>	<b>3,853,443</b>	<b>4,318,607</b>

# Mongolia Growth Group Ltd.

## Notes to Interim Consolidated Financial Statements

(Unaudited)

September 30, 2012

(expressed in Canadian dollars)

### 6 Equity

#### Stock options

A summary of the Company's options as at September 30, 2012 and December 31, 2011 and changes during the periods then ended follows:

	September 30, 2012	Weighted average exercise price \$	December 31, 2011	Weighted average exercise price \$
Balance, beginning of period	1,697,000	3.36	296,430	0.20
Options cancelled	-	-	(296,430)	(0.20)
Options granted	190,000	4.00	1,825,000	3.42
Options forfeited	(55,000)	(4.25)	(128,000)	(4.20)
Balance, end of the period	1,832,000	3.40	1,697,000	3.36
Exercisable	-		-	
Weighted remaining average life (years)	4.98		5.7	

During the first half of 2012, 50,000 options with an exercise price of \$4.20 and 5,000 options with an exercise price of \$4.77 per option were forfeited. None were forfeited in the third quarter.

On March 23, 2012, the Company issued 190,000, 5 year stock options at a price of \$4.00 per share.

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

	Nine months ended September 30, 2012 \$	Twelve months ended December 31, 2011 \$
Weighted average number of shares – basic	34,143,352	23,902,851
Effect of dilutive stock options	1,773,752	1,101,214
Weighted average number of shares – diluted	35,917,104	25,004,065

Basic earnings (loss) per share are derived by dividing net income (loss) for the year 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.

**Mongolia Growth Group Ltd.**  
Notes to Interim Consolidated Financial Statements  
(Unaudited)  
**September 30, 2012**

---

(expressed in Canadian dollars)

There have been no significant capital transactions from the reporting date to the date of this filing which have had a material impact on earnings per share.

**7 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.

Summary of significant transactions with related parties for the nine month period ended September 30, 2012 are presented below:

	<b>Mandal General Insurance \$</b>
Payment of rental expense to Zulu and Orpheus LLC	100,680
Insurance premium paid by Big Sky and subsidiaries	16,766

These related party transactions were eliminated upon consolidation.

The insurance risk on the property portfolio paid by the real estate companies to Mandal Insurance are 99% ceded.

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

	<b>Expense \$</b>
Salaries and other short-term employee benefits	150,000
Share-based payments	342,537
	<hr/>
	492,537
	<hr/>

**Mongolia Growth Group Ltd.**  
Notes to Interim Consolidated Financial Statements  
(Unaudited)  
**September 30, 2012**

---

(expressed in Canadian dollars)

**8 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 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.

The Company is also subject to litigation arising in the normal course of conducting its insurance business. The Company is of the opinion that this litigation will not have a significant effect on the financial position, financial performance or cash flows of the Company.

**9 Supplementary cash flow information**

	For the three months ended September 30,		For the nine months ended September 30,	
	2012	2011	2012	2011
	\$	\$	\$	\$
Changes in non-working capital arising from				
Other assets	(151,360)	(116,700)	(715,333)	(580,718)
Trade and other payables and accrued liabilities	(1,395,683)	269,722	52,550	270,706
Reinsurance assets	(751)	-	2,095	-
Deferred acquisition expense	152	-	3,589	-
Income tax payable	(55,847)	-	(157,803)	-
Insurance contract liabilities	73,532	-	81,454	-
Changes in non-cash working capital from operating activities	(1,529,957)	153,022	(733,448)	(310,012)

# **Mongolia Growth Group Ltd.**

## **Notes to Interim Consolidated Financial Statements**

(Unaudited)

**September 30, 2012**

---

(expressed in Canadian dollars)

### **10 Segment information**

The Company's operations are conducted in three reportable segments; Investment Property Operations, Insurance 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.

Insurance Operations includes general property and casualty insurance products in Mongolia. Insurance underwriting and claims handling functions are administered through Mandal General Insurance LLC.

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.

**Mongolia Growth Group Ltd.**  
**Notes to Interim Consolidated Financial Statements**  
(Unaudited)  
**September 30, 2012**

---

(expressed in Canadian dollars)

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

	<b>Nine months ended September 30, 2012</b>			
	<b>Investment property \$</b>	<b>Insurance \$</b>	<b>Corporate \$</b>	<b>Total \$</b>
<b>Rental income</b>	1,174,793	-	-	1,174,793
<b>Property operating expenses</b>	(51,811)	-	-	(51,811)
<b>Unrealized gains on fair value adjustment on investment properties</b>	199,080	-	-	199,080
<b>Salaries and wages</b>	(208,313)	(298,921)	(202,682)	(709,916)
<b>Professional fees</b>	(277,908)	(54,345)	(293,379)	(625,632)
<b>Advertising</b>	(4,821)	(149,471)	(9,068)	(163,360)
<b>Travel</b>	(11,368)	(5,518)	(166,453)	(183,339)
<b>Land and property tax</b>	(155,804)	-	-	(155,804)
<b>Insurance</b>	(16,766)	-	(18,230)	(34,996)
<b>Utility</b>	(60,883)	(2,087)	-	(62,970)
<b>Net premiums earned</b>	-	297,690	-	297,690
<b>Claims and insurance benefits incurred</b>	-	(110,321)	-	(110,321)
<b>Share based payment</b>	(402,870)	(407,682)	(360,045)	(1,170,597)
<b>Other expenses</b>	(198,237)	(124,374)	(258,742)	(581,353)
<b>Depreciation</b>	(37,293)	(23,833)	(7,206)	(68,332)
<b>Net investment income</b>	157,636	433,742	6,758	598,136
<b>Gain on disposal of investment property</b>	116,038	-	-	116,038
<b>Other revenue</b>	5,713	25,025	-	30,738
<b>Net income (loss) before income taxes</b>	227,186	(420,095)	(1,309,047)	(1,501,956)

# Mongolia Growth Group Ltd.

## Notes to Interim Consolidated Financial Statements

(Unaudited)

**September 30, 2012**

---

(expressed in Canadian dollars)

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

**Three months ended September 30, 2012**

	<b>Investment property \$</b>	<b>Insurance \$</b>	<b>Corporate \$</b>	<b>Total \$</b>
<b>Rental income</b>	407,769	-	-	407,769
<b>Property operating expenses</b>	(12,075)	-	-	(12,075)
<b>Unrealized gain on fair value adjustment on investment properties</b>	199,080	-	-	199,080
<b>Salaries and wages</b>	(71,255)	(119,759)	(75,333)	(266,347)
<b>Professional fees</b>	(174,252)	-	(93,886)	(268,138)
<b>Advertising</b>	(1,796)	(27,497)	(100)	(29,392)
<b>Travel</b>	(1,234)	(4,466)	(44,754)	(50,454)
<b>Land and property tax</b>	(66,294)	-	-	(66,294)
<b>Insurance</b>	21,726	-	(6,414)	15,312
<b>Utility</b>	(15,613)	(1,068)	-	(16,681)
<b>Net premiums earned</b>	-	107,025	-	107,025
<b>Claims and insurance benefits incurred</b>	-	(72,793)	-	(72,793)
<b>Share based payment</b>	(134,290)	(135,894)	(120,015)	(390,199)
<b>Other expenses</b>	(57,204)	(66,712)	(76,212)	(200,128)
<b>Depreciation</b>	(13,209)	(9,078)	(4,812)	(27,099)
<b>Net investment income</b>	96,299	146,934	1,388	244,621
<b>Gain on disposal of investment property</b>	45,065	-	-	45,065
<b>Other revenue</b>	2,391	15,655	-	18,046
<b>Net income (loss) before income taxes</b>	225,108	(167,653)	(420,138)	(362,683)

# Mongolia Growth Group Ltd.

## Notes to Interim Consolidated Financial Statements

(Unaudited)

September 30, 2012

(expressed in Canadian dollars)

	Nine months ended September 30, 2011			
	Investment property \$	Insurance \$	Corporate \$	Total \$
Rental income	228,397	-	-	228,397
Property operating expenses	(81,568)	-	-	(81,568)
Salaries and wages	(172,829)	(97,961)	(74,724)	(345,514)
Professional fees	(69,260)	-	(186,057)	(255,317)
Advertising	(385)	(39,605)	-	(39,990)
Travel	(3,972)	(8,343)	(29,860)	(42,175)
Land and property tax	(6,552)	-	-	(6,552)
Utility	(7,264)	-	(8,372)	(15,636)
Net premiums earned	-	-	-	-
Claims and insurance benefits incurred	-	-	-	-
Share based payment	(23,468)	(545,113)	(142,010)	(710,591)
Other expenses	(119,915)	(31,398)	(59,295)	(210,608)
Depreciation	(134,588)	(5,959)	(1,038)	(141,585)
Net investment income (loss)	-	95,078	80,681	175,759
Other revenue	-	-	-	-
Net income (loss) before income taxes	(391,404)	(633,301)	(420,675)	(1,445,380)



# Mongolia Growth Group Ltd.

## Notes to Interim Consolidated Financial Statements

(Unaudited)

September 30, 2012

---

(expressed in Canadian dollars)

	<b>Three months ended September 30, 2011</b>			
	<b>Investment property \$</b>	<b>Insurance \$</b>	<b>Corporate \$</b>	<b>Total \$</b>
Rental income	186,134	-	-	186,134
Property operating expenses	(50,938)	-	-	(50,938)
Salaries and wages	(153,237)	(61,610)	(54,174)	(269,021)
Professional fees	(49,872)	-	(46,585)	(96,457)
Advertising	(385)	(39,283)	-	(39,668)
Travel	(3,972)	(8,343)	(14,404)	(26,719)
Land and property tax	(438)	-	-	(438)
Utility	(6,361)	-	(8,372)	(14,733)
Net premiums earned	-	-	-	-
Claims and insurance benefits incurred	-	-	-	-
Share based payment	(21,060)	(287,775)	(82,308)	(391,143)
Other expenses	(50,926)	(17,053)	1,006	(66,973)
Depreciation	(101,916)	(3,771)	(780)	(106,467)
Net investment income (loss)	(2,715)	95,078	(36,088)	56,275
Other revenue	-	-	-	-
Net income (loss) before income taxes	(255,686)	(322,757)	(241,705)	(820,148)

# Mongolia Growth Group Ltd.

## Notes to Interim Consolidated Financial Statements

(Unaudited)

**September 30, 2012**

(expressed in Canadian dollars)

	<b>September 30, 2012</b>			
<b>Balance as of September 30, 2012:</b>	<b>Investment property \$</b>	<b>Insurance \$</b>	<b>Corporate \$</b>	<b>Consolidated \$</b>
<b>Total assets</b>	45,362,300	4,625,847	2,060,829	52,048,976
Property and equipment	4,088,498	201,464	28,645	4,318,607
Investment properties	34,378,308	-	-	34,378,308
<b>Period Expenditures</b>				
Property and equipment	231,147	93,495	1,469	326,111
Investment properties	10,979,157	-	-	10,979,157

	<b>September 30, 2011</b>			
<b>Balance as of September 30, 2011:</b>	<b>Investment property \$</b>	<b>Insurance \$</b>	<b>Corporate \$</b>	<b>Consolidated \$</b>
<b>Total assets</b>	25,900,153	5,000,276	5,539,115	36,439,544
Property and equipment	154,949	150,784	17,930	323,663
Investment properties	16,606,846	-	-	16,606,846
<b>Period Expenditures</b>				
Investment properties	16,606,846	-	-	16,606,846

	<b>Revenue</b>		<b>Property and equipment</b>		<b>Investment property</b>	
	<b>Sept. 30, 2012 \$</b>	<b>Sept. 30, 2011 \$</b>	<b>Sept. 30, 2012 \$</b>	<b>Sept. 30, 2011 \$</b>	<b>Sept. 30, 2012 \$</b>	<b>Sept. 30, 2011 \$</b>
Barbados	-	-	-	-	-	-
Canada	-	-	28,645	17,930	-	-
Mongolia	1,619,259	228,397	4,289,962	305,733	34,378,308	16,606,846
	<b>1,619,259</b>	<b>228,397</b>	<b>4,318,607</b>	<b>322,663</b>	<b>34,378,308</b>	<b>16,606,846</b>

**Mongolia Growth Group Ltd.**  
Notes to Interim Consolidated Financial Statements  
(Unaudited)  
**September 30, 2012**

---

(expressed in Canadian dollars)

**11 Other expenses**

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
	\$	\$	\$	\$
Professional fees	268,138	96,457	625,632	255,317
Advertising	29,393	39,668	163,360	39,990
Travel	50,454	26,719	183,339	42,175
Land and property tax	66,294	438	155,804	6,552
Insurance	(15,312)	3,792	34,996	9,237
Utility expense	16,681	14,733	62,970	15,636
Net claims incurred	72,793	-	110,321	-
Other expenses	127,367	106,514	524,608	271,267
	<u>615,808</u>	<u>288,321</u>	<u>1,861,030</u>	<u>640,174</u>

**12 Subsequent events**

Subsequent to the period end the Company sold 3 investment properties with a fair value of approximately \$142,000 for cash proceeds of approximately \$155,000.

**13 Comparative Figures**

The comparative figures presented in the financial statements have been restated to conform to the current period's presentation.