Mongolia Growth Group
Announces Third Quarter 2016 Results

TORONTO, CANADA, November 15, 2016 /FSC/ - Mongolia Growth Group Ltd.
(YAK - TSXV and MNGGF - USA) ("MGG") or ("the Company") a commercial real estate investment and development company participating in the growth of the Mongolian economy, announces its financial results for the third quarter of 2016.

Highlights for the quarter:

- Operational performance improved from an AFFO* quarterly loss of $148,957 in Q3 2015 to a loss of $46,238 in Q3 2016.

- Reduced expenses excluding non-cash and non-capitalized development expense from $648,170 to $454,810 when compared to the third quarter of 2015, a decrease of 29%, despite the cost of various marketing initiatives and increased costs for tenant improvements.

- Rental revenue only declined by 10.3% when compared to the third quarter of 2015 and by 6.2% compared to the second quarter of 2016 despite a substantially more rapid deterioration in market lease rates along with a 14.3% average decline in the Mongolian Tögrög (MNT) to Canadian Dollar (CDN) exchange rate during the quarter.

"We continue to outperform in an amazingly difficult environment characterized by high tenant turnover and rapidly declining lease rates. Our team has done an outstanding job of keeping costs under control, keeping properties leased and collecting on delinquent rents, despite the obvious and accelerating headwinds affecting all businesses in Mongolia.

"Unfortunately, we are not immune to the rapidly deteriorating economy. We expect that the next few quarters will show substantial deterioration in business conditions and we are unlikely to avoid these deleterious effects—despite our best efforts.

"Exacerbating the situation, the Mongolian Tögrög continues to depreciate rapidly against the Canadian Dollar and will impact our revenues when translated into Canadian Dollars. Additionally, roughly half of our costs are incurred in US and Canadian Dollars, leading to a worsening of our AFFO position on an ongoing basis. On the revenue side, the fall season is normally a period of active leasing volume. However, this year, that leasing season never seemed to arrive. This bodes very poorly for the winter and beyond—especially as tenant turnover continues to increase rapidly.

"We believe in the long term future of Mongolia, but suspect that the next few years will be amazingly difficult for all businesses. Even if the economy bottoms in 2018, it will likely be a number of years until there is a recovery in our business.

"We now believe that barring a dramatic change in our business, positive AFFO will be highly unlikely for quite some time. Our goal during this downturn is to lose as little as possible and preserve as much of the value of our company for shareholders as possible. I continue to believe that the Company is making the difficult choices necessary to reduce future shareholder value erosion, despite amazingly challenging circumstances ” said Harris Kupperman.

Overall Property Market

Over the past two years, a glut of property developments started during better economic conditions have come online during a time when many businesses are either downsizing or shutting down operations. This has put considerable pressure on rental rates for all property classes, with the greatest pressure on the office market. Since the beginning of 2016, office rental rates have dropped by almost half in local currency terms, with retail rents experiencing slightly lower declines in rates.

Recently, a number of sizable retail developments have broken ground in Ulaanbaatar, despite the fact that various “mini-malls” (both free-standing and related to office developments) that have opened in the past two years are experiencing high vacancy rates along with collapsing rents. Recently, many newly opened “mini-malls” are offering initial grace periods where tenants are offered negligible rental rates or “free rent” for a substantial period of time. It is expected that this trend, if it continues, will put substantial pressure on our retail rates in future periods.

The Company has done an outstanding job of keeping occupancy at above market levels, but has been forced to lower lease rates to be competitive. These lower lease rates will continue to filter through the Company’s revenues over the next few quarters, leading to rather sizable declines in revenue, before adjusting for the decline in the Mongolian Tögrög against the Canadian Dollar.

Portfolio Updates

The Company continues to maintain high occupancy rates, despite increasing vacancy across the property sector. At the end of the quarter, retail occupancy was 100% while office occupancy was 75.3%. Additionally, the Company’s new tenancy strategy at Tuguldur Center has experienced recent success and average weekly occupancy is now over 80%, which is a 1-year high.

Offsetting these positives, as a side effect of increased office turnover, the Corporation has experienced a substantial increase in tenant improvement costs. Despite much of this cost being capitalized, it represents a substantial cash outlay for the Corporation that is likely to continue.

Agency Business

The Company continues to increase the number of listings and invest resources into its agency business, including the hiring of additional agents. The Company believes that it now has one of the largest inventories of active listings of any agency in Mongolia. Unfortunately, demand for properties is low and with lease and sale prices declining rapidly, potential tenants and purchasers are holding off for lower prices, leading to less transaction volume than originally anticipated. Despite the anemic demand for property in Ulaanbaatar, the Agency business is beginning to add incremental revenue. For more information on available properties, please visit http://www.MGGProperties.com

Unrealized Change in Fair Value of Properties

During the quarter, the Company did not recognize impairments to the fair value of its properties. The Company continues to monitor property values and based on declines in lease rates and property values since the end of the second quarter, when it last recognized an impairment to the fair value of its portfolio, it is anticipated that the Company will likely experience an impairment to its portfolio when evaluated by a well-regarded third-party valuation firm at year-end.

Public Securities

During the quarter, one of the Company's offshore subsidiaries, purchased 15,000,000 shares of Mongolian Mining Corporation (Ticker Symbol 975: Hong Kong Stock Exchange) at an average price of approximately 11.3 Hong Kong cents. At the end of the quarter, the shares closed at 31.5 Hong Kong cents, leading to a pre-tax gain after currency adjustments of CDN $516,617. The Corporation currently has no other publicly traded security positions, but continues to evaluate potential additional investments in publicly traded securities.

Liquidity and Capital Resources

The Company ended the quarter with $921,822 of cash and cash equivalents and no debt. The Company hopes to sell additional assets—if possible—to further increase its cash reserves. Unfortunately, overall transaction liquidity in the marketplace has disappeared except for unique properties or those offered at substantial discounts to existing market prices. The Corporation intends to weigh offered discounts to currently stated book values when making decisions on which assets to dispose of, in order to generate sufficient liquidity to weather the current economic crisis. The Corporation is focused on increasing liquidity despite the need to sell assets at discounts to market prices.

Normal Course Issuer Bid

During the quarter, the Company repurchased 280,500 shares at a gross cost of CDN $96,681. Despite the expectation that the economy will continue to worsen for the foreseeable future and that AFFO will worsen with reduced revenues and currency depreciation, the Company believes that its shares are undervalued. However, the Company intends to be highly disciplined about its purchases due to its limited cash reserves and the continued economic uncertainty.

Outlook

The newly formed government has clearly stated their goal of restoring the Mongolian economy by welcoming foreign investment and pushing forward with various mega-projects that were obstructed by the prior government. Unfortunately, even if mega-projects get approved to move forward, it is unlikely that they will lead to a substantial recovery in the economy for a number of years. Exacerbating this, the new government has undertaken a thorough review of Mongolia's current fiscal position and determined that the actual situation is substantially worse than previously believed. It is expected that the government will be forced to accept a bail-out from one or more international or sovereign entities. This bail-out will likely involve some level of government austerity, which will put further pressure on the economy.

Should the government be successful in attracting investment and initiating a number of mega-projects, it is likely that the Mongolian economy will likely bottom sometime in the next year or two as it takes some time for these projects to ramp up. Unfortunately, due to the sizable surplus of new commercial property that has come online over the past few years along with additional supply that is currently under construction, it will likely take longer for there to be any recovery in rents and property valuations. Exacerbating this issue, the currency continues to depreciate at an accelerating rate which further undermines rents and property valuations when translated into Canadian Dollars.

We believe in the long-term future of Mongolia and believe that we have an outstanding portfolio of property assets along with a highly skilled team to manage them. Unfortunately, we have not reached the scale needed to support our cost structure and are unlikely to do so without raising substantial additional capital—which is unlikely to be available to us on acceptable terms for quite some time. As a result, the Company is likely to continue to sustain AFFO losses for the foreseeable future. Additionally, these losses are likely to accelerate as rents decline, vacancy rates increase and the currency continues to depreciate.

The Company is undertaking a thorough review of its options with the goal of diversifying the business and has become more aggressive in selling property assets in order to increase its liquidity position while it continues this review. Unfortunately, liquidity in the property market is negligible and it is expected that future sales would likely occur at substantial discounts to current carrying costs, before transaction costs, if the Company wanted to dispose of them in the near future.

Selected Annual Financial Information (CAD)

	Quarter Ended	Quarter Ended
	30-Sept 2016 ($)	**30-Sept 2015 ($)**
Total Revenue		
Rental Revenue	429,241	478,747
Gain (loss) on Disposal of investment property	-	(154,152)
Other revenue	4,061	16,276
Total Revenue	**433,302**	**340,871**
Expenses		
Salaries and wages	221,604	263,692
Share based payment	-	146,582
Depreciation	30,239	33,576
Development	-	5,292
Investor Relations	3,113	52,132
Repairs and maintenance	25,770	14,171
Office	13,685	25,521
Professional fees	80,052	138,056
Travel	17,553	29,075
Advertising	4,829	1,365
Land and property tax	31,888	60,769
Insurance	13,153	15,200
Utilities	29,262	35,316
Other Expenses	13,901	12,873
Total Expenses	**485,049**	**833,620**
Net Investment income	2,881	3,596
Unrealized gain (loss) on fair value adjustment of investment properties	-	(2,271,061)
Unrealized gain on short-term investments	516,617	-
Net income(loss) before income tax	**467,751**	**(2,760,214)**
Recovery of (provision for) income taxes	(33,692)	58,274
Net income (loss) for the period	**434,059**	**(2,701,490)**
Net Income (loss) per share (basic)	**0.01**	**(0.08)**

Funds From Operations (FFO) And Adjusted Funds From Operations (AFFO)

The analysis below shows a reconciliation of the Corporation's net income to FFO and AFFO for the quarters ended September 30, 2016 and September 30, 2015. Overall AFFO showed a significant improvement due to a 30% reduction in costs before depreciation, equity compensation and non-capitalized development expenses when compared with the third quarter of 2015. A portion of this reduction in expenses is due to a decrease in audit related accruals expensed during the quarter. The company had over accrued for these expenses during the first half of the year prior to the change in auditors.

	Quarter ended 30-September 2016 ($)	Quarter ended 30-September 2015 ($)
Net income/ (loss) for the period	**434,059**	**(2,701,490)**
Add (deduct) items not affecting case		
Unrealized Change in fair value of investment properties	-	2,271,061
Unrealized change in short-term investments	(516,617)	-
Depreciation and amortization of Investment properties	16,599	19,405
Gains/losses from sales of investment properties	-	154,152
Tax on gains or losses of sales on investment property	-	11,875
Deferred Taxes*	19,721	(53,292)
Share based payments	-	146,582
FFO	**(46,238)**	**(151,707)**
Add (deduct)		
Development costs not capitalized	-	5,292
AFFO	**(46,238)**	**(146,415)**
Per Unit – basic		
FFO	(0.00)	(0.00)
AFFO	(0.00)	(0.00)
Per Unit – diluted		
FFO	(0.00)	(0.00)
AFFO	(0.00)	(0.00)

*As of Q3 2016, the Company changed its policy on the calculation of deferred taxes in the calculation of FFO and AFFO. The Company now calculates the change in deferred taxes by adding back the effects of foreign exchange moments to change in deferred tax on the balance sheet. As such, the Q3 2015 deferred tax number does not match the number reported in the Q3 2015 MD&A (-$4,140). For further information on the calculation of deferred tax, please see the income tax note on page 16 of the MD&A.

Balance Sheet

	30-Sept 2016 ($)	31-December 2015 ($)
Current Assets		
Cash and cash equivalents	921,822	1,035,272
Marketable securities	799,801	327,999
Other assets	259,480	
Non-current assets		
Investment properties	32,651,592	46,473,749
Property and equipment	2,134,491	2,978,150
Total assets	**36,767,186**	**50,815,170**
Liabilities		
Current liabilities		
Trade payables and accrued liabilities	418,485	704,426
Income taxes payable	169,307	146,290
Non-current liabilities		
Deferred income tax liability	680,486	990,109
Total liabilities	**1,268,278**	**1,840,825**
Equity		
Share capital	54,253,897	54,369,332
Contributed surplus	6,849,977	6,738,875
Accumulated other comprehensive loss	(8,747,447)	(1,135,265)
Deficit	(16,857,519)	(10,998,597)
Total equity	**35,498,908**	**48,974,345**
Total equity and liabilities	**36,767,186**	**50,815,170**

Portfolio Data

The following table represents properties classified as Investment Properties, as of September 30, 2016:

	30-Sep-2016			31-Dec-2015		
	# of Properties	Value at 30-Sep-16 $CDN	Meters	# of Properties	Value at 31-Dec-15 $CDN	Meters
Residential	1	195,327	-	1	285,170	-
Office	3	3,426,626	2,650	3	4,649,657	2,650
Retail	23	17,763,425	7,987	26	25,842,765	8,532
Land and Redevelopment	4	11,266,214	7,086	4	15,696,158	7,058
Total	**31**	**32,651,592**	**17,723**	**34**	**46,473,750**	**18,240**

Please see the Company's audited financial statements (the "Financial Statements") and related Management's Discussion & Analysis ("MD&A") for the financial year ended December 31, 2015 for more details. The Financial Statements and MD&A have been reviewed and approved by the Company's Audit Committee and Board of Directors. The Company has prepared this news release to alert shareholders to the foregoing and a more detailed explanation and analysis is readily available in the MD&A. These Financial Statements and MD&A are available for viewing under the Company's profile on SEDAR at www.sedar.com.

Non IFRS Measures

The Corporation refers to Funds from Operations ("FFO") and Adjusted Funds from Operations ("AFFO"). "FFO " is not defined under IFRS. The Corporation calculates FFO in accordance with the Real Property Association of Canada ("REALpac") White Paper on Funds from Operations issued April 2014. FFO is defined as net income (loss) and comprehensive income (loss) calculated in accordance with IFRS, excluding: (i) Unrealized change in fair value of investment properties (ii) depreciation and amortization of investment properties; (iii) gains (or losses) from sales of investment properties and equipment; (iv) tax on gains or losses of sale on investment properties (v) deferred income tax (expense) recovery; (vi) impairment/losses on all real estate assets (vii) Gains or losses on PPE properties (viii) share based payments. Additionally, the Corporation excludes gains or losses on public securities along with the tax impact of such gains and losses which are not related to its real estate operations. "AFFO " is not defined under IFRS and may not be comparable to AFFO used by other issuers. The Corporation has defined AFFO as FFO subject to certain adjustments, including: development expenses not capitalized, large one-time expenses and other adjustments as determined by Management. Management has recently revisited its calculation of deferred taxes. Previous calculations of deferred taxes included changes in foreign exchange fluctuations. Due to the recent currency fluctuations, the Company has adopted a policy of calculating the change in deferred taxes by adding back the effects of foreign exchange movements to change in deferred tax on the balance sheet. See the income tax note in the MD&A for further information on the calculation.

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Mongolia Growth Group Ltd. is a publicly traded and leading property investment and development company in Ulaanbaatar, Mongolia. MGG owns an extensive property portfolio in diversified segments of the property market, with an emphasis on institutional-grade commercial assets.

MGG undertakes its own property acquisitions, develops brownfield land assets and repositions outdated properties, relying on in-house services for all facets of both the investment portfolio and development side of the business. In addition, MGG acts as a full-service third-party provider for institutional clients and tailors transactions covering acquisition-to-suit, build-to-suit, as well as refurbish-to-suit, for property owners and major tenants.

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Forward-looking Information and Statements

Information and statements contained in this news release that are not historical facts are "forward-looking information" within the meaning of applicable Canadian securities legislation and involve risks and uncertainties. Forward-looking information and statements contained in this news release include information with respect to our intention to move forward into the construction of international standard properties in Mongolia.

Forward-looking information is necessarily based upon a number of assumptions that, while considered reasonable by management, are inherently subject to significant business, economic and competitive uncertainties and contingencies. MGG cautions the reader that such forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results and developments to differ materially from those expressed or implied by such forward-looking information. Such risks and uncertainties include, but are not limited to: risks associated with investment in and development of real property in Mongolia; competition, financing and refinancing risks; risks related to economic conditions; risks related to regulation of the real estate business in Mongolia; political risk in

Mongolia; changes in Mongolian taxation rules; reliance on key personnel; environmental matters; tenant risks; investment and trading risks, regulatory risks, and other risk factors more particularly described in in MGG's filings with Canadian securities regulators, which filings are available at www.sedar.com. Additional risks and uncertainties not presently known to MGG or that MGG currently believes to be less significant may also adversely affect MGG. Forward-looking information is designed to help you understand management's current views of our near and longer term prospects, and it may not be appropriate for other purposes. MGG does not undertake any obligation to update or revise forward-looking information, whether as a result of new information, future events or otherwise, except to the extent legally required.