

Mongolia Growth Group Ltd.

Condensed Interim Consolidated Financial Statements
(Unaudited)

For the three months ended

March 31, 2021 and 2020

(Expressed in Canadian dollars)

Mongolia Growth Group Ltd.

Condensed Interim Consolidated Statements of Financial Position

(Unaudited)

As at March 31, 2021

(expressed in Canadian dollars)

	March 31, 2021 \$	December 31, 2020 \$
Assets		
Current assets		
Cash (note 5)	2,988,118	1,361,771
Marketable securities owned (note 6)	15,314,505	10,613,444
Other assets (note 7)	178,019	159,729
	<u>18,480,642</u>	<u>12,134,944</u>
Non-current assets		
Investment properties (note 8)	14,013,130	14,542,236
Property and equipment (note 9)	1,262,770	1,293,241
	<u>15,275,900</u>	<u>15,835,477</u>
Total assets	<u>33,756,542</u>	<u>27,970,421</u>
Liabilities		
Current liabilities		
Trade payables and accrued liabilities	553,296	564,542
Marketable securities sold short (note 6)	360,493	39,223
Income taxes payable	-	1,393
	<u>913,789</u>	<u>605,158</u>
Non-current liabilities		
Long Term CEBA Loan (note 11)	60,000	40,000
Deferred income tax liability	464,032	478,836
	<u>1,437,821</u>	<u>1,123,994</u>
Total liabilities	<u>1,437,821</u>	<u>1,123,994</u>
Equity		
Share capital (note 10)	52,720,592	53,165,247
Contributed surplus	6,849,976	6,849,976
Accumulated other comprehensive loss	(15,642,855)	(15,444,642)
Deficit	(11,608,992)	(17,724,154)
	<u>32,318,721</u>	<u>26,846,427</u>
Total equity	<u>32,318,721</u>	<u>26,846,427</u>
Total equity and liabilities	<u>33,756,542</u>	<u>27,970,421</u>

Commitment and contingencies (note 14)

Approved by the Board of Directors

“Harris Kupperman” Director “James Dwyer” Director

The accompanying notes are an integral part of these 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	March 31
	2021	2020
	\$	\$
Revenue		
Rental income	144,421	212,209
Other revenue	105,440	12,929
Total revenue	249,861	225,138
Expenses		
Salaries and wages	161,434	142,577
Other expenses (note 17)	355,273	339,796
Depreciation (note 9)	15,673	17,434
Total operating expenses	(532,380)	(499,807)
Interest income	26	8
Unrealized gain (loss) on short term investments (note 6)	492,819	(907,972)
Realized gain (loss) on short term investments (note 6)	5,960,261	(130,538)
Foreign currency gain (loss)	(70,228)	20,315
Finance costs	-	(9)
Total other income (loss)	6,382,878	(1,018,196)
Net income (loss) before income taxes	6,100,359	(1,292,865)
Income taxes	14,803	(5,482)
Net income (loss) for the period	6,115,162	(1,298,347)
Net income (loss) per share (note 10)		
Basic		
From net income (loss) for the period	0.20	(0.04)
Diluted		
From net income (loss) for the period	0.20	(0.04)

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

Mongolia Growth Group Ltd.

Condensed Interim Consolidated Statements of Comprehensive Loss

(Unaudited)

For the three month period ended March 31

(expressed in Canadian dollars)

	March 31, 2021	March 31, 2020 \$
Net income (loss) for the period	6,115,162	(1,298,347)
Other comprehensive income (loss)		
Items that may be subsequently reclassified to income or loss		
Unrealized gains (losses) on translation of financial statement operations with Mongolian Tögrög functional currency to Canadian dollar reporting currency	<u>(198,213)</u>	<u>1,367,550</u>
Total comprehensive income (loss)	<u>5,916,949</u>	<u>69,203</u>

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

Mongolia Growth Group Ltd.

Condensed Interim Consolidated Statements of Changes in Equity

(Unaudited)

For the three month period ended March 31

(expressed in Canadian dollars)

	Share capital \$	Contributed surplus \$	Accumulated other comprehensive loss \$	Deficit \$	Total \$
Balance at January 1, 2020	53,504,935	6,849,976	(14,233,385)	(21,451,698)	24,669,828
Net loss for the period	-	-	-	(1,298,347)	(1,298,347)
Other comprehensive income	-	-	1,367,550	-	1,367,550
	53,504,935	6,849,976	(12,865,835)	(22,750,045)	24,739,031
Share repurchase	(72,406)	-	-	-	(72,406)
Balance at March 31, 2020	53,432,529	6,849,976	(12,865,835)	(22,750,045)	24,666,625

	Share capital \$	Contributed surplus \$	Accumulated other comprehensive loss \$	Deficit \$	Total \$
Balance at January 1, 2021	53,165,247	6,849,976	(15,444,642)	(17,724,154)	26,846,427
Net gain for the period	-	-	-	6,115,162	6,115,162
Other comprehensive income	-	-	(198,213)	-	(198,213)
	53,165,247	6,849,976	(15,642,855)	(11,608,992)	32,763,376
Share repurchase	(444,655)	-	-	-	(444,655)
Balance at March 31, 2021	52,720,592	6,849,976	(15,642,855)	(11,608,992)	32,318,721

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

Mongolia Growth Group Ltd.

Condensed Interim Consolidated Statements of Cash Flow

(Unaudited)

For the three month period ended March 31

(expressed in Canadian dollars)

	March 31, 2021 \$	March 31, 2020 \$
Cash provided by (used in)		
Operating activities		
Net income (loss) for the period	6,115,162	(1,298,347)
Items not affecting cash		
Depreciation (note 9)	15,673	17,434
Deferred taxes	(14,804)	34,896
Unrealized (gain) loss on marketable securities (note 6)	(492,819)	907,972
Realized (gain) on marketable securities (note 6)	(5,960,261)	130,538
	(337,049)	(207,507)
Net change in non-cash working capital balances (note 15)	(169,643)	706,784
	(506,692)	499,277
Financing activities		
Share repurchase (note 10)	(444,655)	(72,406)
Long term CEBA loan (note 11)	20,000	-
	(424,655)	(72,406)
Investing activities		
Net sale (purchase) of marketable securities (note 6)	2,003,641	(405,000)
Net proceeds on sale of investment properties	363,586	413,237
Acquisition of property and equipment (note 9)	-	(766)
	2,367,227	7,471
Effect of exchange rates on cash	190,467	50,514
Increase (decrease) in cash	1,626,347	484,856
Cash - Beginning of period	1,361,771	737,255
Cash - End of period	2,988,118	1,222,111

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

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the three month period ended March 31

(expressed in Canadian dollars)

1 Corporate Information

Mongolia Growth Group Ltd. (MGG or the Company) was incorporated in Alberta on December 17, 2007, and is a real estate investment and development Company operating through the ownership of commercial investment property assets in Ulaanbaatar, Mongolia.

The Company's common shares were previously listed on the Canadian Securities Exchange (CSE). On January 9, 2013, the Company filed an application for the de-listing of the common shares from the CSE and filed an application for the listing of common shares on the TSX Venture Exchange (TSXV). The Company is now listed on the TSXV, having the symbol YAK.

MGG has one wholly-owned subsidiary at March 31, 2021, Mongolia (Barbados) Corp. Mongolia (Barbados) Corp. owns the wholly-owned subsidiaries MGG Properties LLC and Big Sky Capital LLC. Big Sky Capital LLC owns the wholly-owned subsidiaries, Carrollton LLC, Biggie Industries LLC, Orpheus LLC, Zulu LLC, Crescent City LLC and Oceanus LLC (together "the investment property operations"). The investment property operations are conducted in Big Sky Capital LLC and its subsidiaries. No active business operations occur in Oceanus LLC at this time. MGG's marketable securities are currently held in a brokerage account owned by Mongolia (Barbados) Corp.

At March 31, 2021 and December 31, 2020, the principal subsidiaries of the Company, their geographic locations, and the ownership interest held by the Company, were as follows:

Name	Principal Activity	Ownership		Location
		March 31, 2021	December 31, 2020	
Mongolia (Barbados) Corp.	Holding Company and Brokerage Account	100%	100%	Barbados
MGG Properties LLC	Holding Company and Real estate operations	100%	100%	Mongolia
Big Sky Capital LLC	Holding Company and Real estate operations	100%	100%	Mongolia
Carrollton LLC	Real estate operations	100%	100%	Mongolia
Biggie Industries LLC	Real estate operations	100%	100%	Mongolia
Orpheus LLC	Real estate operations	100%	100%	Mongolia
Zulu LLC	Real estate operations	100%	100%	Mongolia
Crescent City LLC	Real estate operations	100%	100%	Mongolia
Oceanus LLC	Real estate operations	100%	100%	Mongolia

The Company is registered in Alberta, Canada, with its Head Office at its registered and records address at Centennial Place, East Tower, 1900, 520 - 3rd Avenue S.W. Calgary, Alberta, Canada T2P 0R3. The Company's Canadian headquarters are located at 100 King Street West, Suite 5600, Toronto, Ontario, M5X 1C9, Canada. The Company's Mongolian investment property operations are based out of its office located at the MGG Properties Building on Seoul St. in Ulaanbaatar, Mongolia.

At March 31, 2021, the Company is organized into two segments 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.

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the three month period ended March 31

(expressed in Canadian dollars)

2 Basis of presentation

The consolidated financial statements of the Company 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 (“IAS 34”). These condensed interim consolidated financial statements are compliant with IAS 34 and do not include all of the information required for full annual financial statements.

These condensed interim consolidated financial statements should be read in conjunction with the Company’s annual financial statements for the year ending December 2020. The significant accounting policies used in the preparation of these consolidated financial statements are summarized in note 4.

The consolidated financial statements, 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 consolidated financial statements were approved by the Board of Directors of the Company for issue on May 12, 2021.

3 Significant Accounting Policies

The Company has applied the same accounting policies in these condensed interim consolidated financial statements as those applied in the Company’s annual audited consolidated financial statements as at and for the year ended December 31, 2020.

In preparing these condensed interim consolidated financial statements, the significant judgements made in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those applied to the annual consolidated financial statements as at and for the year ended December 31, 2020.

These condensed interim consolidated financial statements should be read in conjunction with the Company’s annual financial statements for the year ending December 31, 2020.

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the three month period ended March 31

(expressed in Canadian dollars)

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 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 by dollar value annually.

The remaining balance of investment properties was valued internally. 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. This fair value assumes that the Company is in possession of the property's land and property titles where applicable. Management judges that the Company has the appropriate titles for each of the properties classified as Investment Properties. Properties whereby Management judges that the Company's titles are at risk, have been impaired to reflect the level of risk estimated by Management.

- 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 8. Changes in assumptions about these factors could materially affect the carrying value of investment properties.
- Valuation of marketable securities - The Company recognizes marketable securities at fair value. Fair value is determined on the basis of market prices from independent sources, if available. If there is no market price, then the fair value is determined by using valuation models with inputs derived from observable market data where possible but where observable data is not available, judgement is required to establish fair values.

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the three month period ended March 31

(expressed in Canadian dollars)

4 Significant accounting estimates and judgements (continued)

- 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 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.

Significant judgements made in the preparation of these consolidated financial statements include the following:

- Judgement is required in determining whether an asset meets the criteria for classification as assets held for sale and or as discontinued operations in the consolidated financial statements. Criteria considered by management include the existence of and commitment to a plan to dispose of the assets, the expected selling price of the assets, the probability of the sale being completed within an expected time frame of one year and the period of time any amounts have been classified within assets held for sale. The Company reviews the criteria for assets held for sale each quarter and reclassifies such assets to or from this financial position category as appropriate. On completion of the sale, management exercises judgement as to whether the sale qualifies as a discontinued operation.
- As at March 31, 2021 and December 31, 2020, Management has made the judgment that none of the Company's assets meet the criteria to be classified as held for sale. While this is due to a number of factors, a primary reason is that due to the conditions of the Mongolian economy and the lack of liquidity in the market, management was unable to conclude that the sale of any significant size asset could be considered highly probable.
- Judgement is required in determining whether the Company's Investment property and land use rights titles are at risk. As at March 31, 2021 and December 31, 2020, Management has made the judgment that Investment Properties whereby the land title has recently expired but is expected to be renewed in the near future should continue to be classified as Investment Properties. Properties whereby Management judges that the Company's titles are at risk, have been impaired to reflect the level of risk estimated by Management.

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the three month period ended March 31

(expressed in Canadian dollars)

5 Cash

Cash at banks earns interest at floating rates based on daily bank deposit rates. The component of cash and cash accounts currently consists only of cash amounts held in banks or on hand.

The following table discloses the geographical location of cash:

	March 31, 2021	December 31, 2020
	\$	\$
Barbados	2,335,325	1,006,689
Canada	374,154	218,694
Mongolia	278,639	136,388
	2,988,118	1,361,771

Cash is not collateralized, the carrying amount of cash approximates fair value.

6 Marketable Securities

The following table shows the continuity of the Company's brokerage account.

	Cash	Marketable securities Long	Marketable securities Short	Interest Accruals	Total
December 31, 2020	1,005,228	10,613,444	(39,223)	1,374	11,580,822
Unrealized (loss) gain	-	492,819	-	-	492,819
Realized gain (loss)	-	5,960,261	-	-	5,960,261
FX gain (loss)	-	(69,648)	-	-	(69,648)
Interest Accrual	-	-	-	(264)	(264)
Net cash transferred in (out)	(675,000)	-	-	-	(675,000)
(Purchases)/sales	2,003,641	(1,682,371)	(321,270)	-	-
March 31, 2021	2,333,869	15,314,505	(360,493)	1,109	17,288,990

	Cash	Marketable securities Long	Marketable securities Short	Interest Accruals	Total
December 31, 2019	(586,325)	4,275,629	(23,340)	-	3,665,964
Unrealized (loss) gain	-	4,265,403	-	-	4,265,403
Realized gain (loss)	-	3,288,803	-	-	3,288,803
FX gain (loss)	-	(45,722)	-	-	(45,722)
Interest Accrual	-	-	-	1,374	1,373
Net cash transferred in (out)	405,000	-	-	-	405,000
(Purchases)/sales	1,186,553	(1,170,669)	(15,883)	-	-
December 31, 2020	1,005,228	10,613,444	(39,223)	1,374	11,580,822

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the three month period ended March 31

(expressed in Canadian dollars)

6 Marketable Securities (continued)

Cash balances in the Company's brokerage account are classified within cash on the statement of financial position (Note 5). A negative cash balance represents borrowing on margin, which is presented net against marketable securities because the Company has the legal right and intention to close out margin balances on a net basis with the related marketable securities.

7 Other assets

	March 31, 2021	December 31, 2020
	\$	\$
Accounts receivable	136,555	134,869
Prepaid expenses	41,464	24,860
	178,019	159,729

8 Investment properties

	March 31, 2021	December 31, 2020
	\$	\$
Balance - beginning of period	14,542,236	18,831,985
Additions	-	145,412
Transfer from other asset	-	-
Disposals	(363,586)	(583,372)
Fair value adjustment	-	(2,700,069)
Foreign exchange adjustments	(165,520)	(1,151,720)
Balance - end of period	14,013,130	14,542,236

During the three-month period ended March 31, 2021, the Company sold one property with a value of \$363,586 at a net gain of \$nil. During the three-month period ended March 31, 2020, the Company sold two properties with a value of \$413,237 and net gain of \$nil.

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the three month period ended March 31

(expressed in Canadian dollars)

9 Property and equipment

	2020			
	Furniture and fixtures \$	Equipment \$	Buildings \$	Total \$
December 31				
Cost	72,194	126,541	1,733,299	1,932,034
Accumulated depreciation	54,401	116,680	467,712	638,793
Net book value	17,793	9,861	1,265,587	1,293,241
				2021
	Furniture and fixtures \$	Equipment \$	Buildings \$	Total \$
Cost				
At January 1	72,194	126,541	1,733,299	1,932,034
Additions	-	-	-	-
Disposals	-	-	-	-
Impairment	-	-	-	-
Foreign exchange adjustment	(220)	(263)	(9,500)	(9,983)
At March 31	71,974	126,278	1,723,799	1,922,051
				2021
	Furniture and fixtures \$	Equipment \$	Buildings \$	Total \$
Accumulated depreciation				
At January 1	54,401	116,680	467,712	638,793
Depreciation	1,545	2,583	11,545	15,673
Disposals	-	-	-	-
Foreign exchange adjustment	(23)	(162)	5,000	4,815
At March 31	55,923	119,101	484,257	659,281
Net book value at March 31	16,051	7,177	1,239,542	1,262,770

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the three month period ended March 31

(expressed in Canadian dollars)

10 Share capital and contributed surplus

Common shares

The Company is authorized to issue an unlimited number of common and preferred shares.

The issued and outstanding common shares are as follows:

	Number of shares	Amount \$
Balance, December 31, 2020	31,281,499	53,165,247
Shares re-purchased	-	(444,655)
Treasury stock cancelled	(1,253,000)	-
Balance March 31, 2021	30,028,499	52,720,592

As at March 31, 2021, the Company held nil (Q1 2020-nil) shares in Treasury.

Stock options

The Company has established a share based payment plan (the "Plan") to encourage ownership of its shares by key management personnel (directors and executive management), employees and other key service providers, and to provide compensation for certain services. The Plan provides for the issuance of stock options in an aggregate number of up to 10% of the Company's issued and outstanding shares, calculated from time to time and are exercisable within a maximum of ten (10) years. The vesting period for all options is at the discretion of the directors.

The exercise price will be set by the directors at the time of grant and cannot be less than the discounted market price of the Company's common shares. At March 31, 2021, the Company had 3,002,850 (December 2020 – 3,128,150) common shares available for the granting of future options under the new plan. The Company does not have any cash-settled transactions. Full details of the Company's option plan can be found in "Schedule C" of the Management Information Circular on the Company's website and filed on Sedar. As of May 2021, the Company has chosen not to renew its stock option plan.

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the three month period ended March 31

(expressed in Canadian dollars)

10 Share capital and contributed surplus (continued)

A summary of the Company's options as at March 31, 2021 and December 31, 2020 and changes during the periods then ended follows:

	March 31, 2021	Weighted average exercise price \$	December 31, 2020	Weighted average exercise price \$
Balance, beginning of period	-	-	1,420,000	0.73
Options expired	-	-	1,420,000	0.73
Options cancelled	-	-	-	-
Options granted	-	-	-	-
Options forfeited	-	-	-	-
Options exercised	-	-	-	-
Balance, end of the period	-	-	-	-
Exercisable	-	-	-	-
Weighted remaining average life (years)	-	-	-	-

Earnings per share

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

	March 31, 2021 \$	December 31, 2020 \$
Weighted average number of shares – basic	30,756,617	32,102,372
Effect of dilutive stock options	-	-
Weighted average number of shares – diluted	30,756,617	32,102,372

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.

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.

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the three month period ended March 31

(expressed in Canadian dollars)

11 Short term and long term debt

	March 31, 2021	December 31, 2020
	\$	\$
Current	-	-
Non-current	60,000	40,000
	60,000	40,000

During the year ended December 31, 2020, the Company qualified for a government-guaranteed line of credit (Canada Emergency Business Account “CEBA”) of \$40,000 which was interest-free until December 31, 2020. On January 1, 2021, the line of credit converted to a 2-year, 0% interest term loan to be repaid by December 31, 2022 at which time a 25% balance forgiveness (\$10,000) will apply if the loan is repaid by such date. On January 1, 2021, the Company qualified for an additional \$20,000 2-year, 0% interest term loan to be repaid by December 31, 2022. The Company has the option to exercise a 3-year term extension on the loans by December 31, 2022, if the loan is not repaid by then. At which time, the remaining unpaid balance of the loans will bear interest at 5% interest per annum during the extension period and must be paid in full by December 31, 2025. Funds can be used to pay non-deferrable operating expenses include payroll.

12 Management of capital structure

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.

	March 31, 2021	December 31, 2020
	\$	\$
Current assets	18,480,642	12,134,944
Current liabilities	(913,789)	(605,158)
Working capital	17,566,853	11,529,786

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.

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the three month period ended March 31

(expressed in Canadian dollars)

13 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.

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

	Three months ending March 31, 2021	Three months ending March 31, 2020
	\$	\$
Salaries and other short-term employee benefits	135,572	123,642
Director fees	15,000	10,000
	150,572	133,642

Starting in 2019, certain entities affiliated with Harris Kupperman, the Corporation's Chairman and CEO, have agreed to split certain expenses related to the Corporation's investments in public securities. The Corporation expects that this will reduce MGG's investment related expenses on an ongoing basis.

14 Commitments and contingencies

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.

15 Supplementary cash flow information

	Three months ending March 31, 2021	Three months ending March 31, 2020
	\$	\$
Changes in non-working capital arising from		
Other assets	(165,465)	1,034,414
Trade payables and accrued liabilities	(6,880)	(260,427)
Income tax payable	2,702	(67,203)
Changes in non-cash working capital from operating activities	(169,643)	706,784

Income taxes paid during the quarter were \$1,393 (Q1-2020 \$30,670). Interest paid during the quarter was \$nil (Q1-2020 \$nil).

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the three month period ended March 31

(expressed in Canadian dollars)

16 Segment information

The Company's operations are conducted in two reportable segments; 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 redevelopment. These properties are managed by Big Sky Capital LLC and its subsidiaries.

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

	Three months ended March 31, 2021		
	Investment property	Corporate	Total
	\$	\$	\$
Rental income	144,421	-	144,421
Property operating expenses	(209,579)	-	(209,579)
Unrealized mark to market gain	-	492,819	492,819
Realized gain on short term investments	-	5,960,261	5,960,261
Other expenses	(34,163)	(272,964)	(307,127)
Depreciation	(15,673)	-	(15,673)
Net investment income	-	26	26
Other revenue	105,440	-	105,440
Foreign currency gain (loss)	48	(70,277)	(70,229)
Net income (loss) before income taxes	(9,506)	6,109,865	6,100,359

	Three months ended March 31, 2020		
	Investment property	Corporate	Total
	\$	\$	\$
Rental income	212,209	-	212,209
Property operating expenses	(221,230)	-	(221,230)
Unrealized mark to market loss	-	(907,972)	(907,972)
Realized loss on short term investments	-	(130,538)	(130,538)
Other expenses	(46,455)	(214,688)	(261,143)
Depreciation	(17,434)	-	(17,434)
Net investment income	8	-	8
Other revenue	12,927	2	12,929
Foreign currency gain	1,093	19,222	20,315
Finance cost	-	(9)	(9)
Net loss before income taxes	(58,882)	(1,233,983)	(1,292,865)

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the three month period ended March 31

(expressed in Canadian dollars)

16 Segment information (continued)

	Balance as of March 31, 2021		
	Investment Property	Corporate	Total
	\$	\$	\$
Total assets	15,703,771	18,052,770	33,756,541
Property and equipment	1,262,770	-	1,262,770
Investment properties	14,013,130	-	14,013,130
Expenditures			
Property and equipment	-	-	-
Investment properties	-	-	-

	Balance as of March 31, 2020		
	Investment Property	Corporate	Total
	\$	\$	\$
Total assets	21,818,775	4,013,283	25,832,058
Property and equipment	1,518,419	-	1,518,419
Investment properties	19,859,842	-	19,859,842
Expenditures			
Property and equipment	766	-	766
Investment properties	145,412	-	145,412

	Revenue		Property and equipment		Investment property	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
	\$	\$	\$	\$	\$	\$
Canada	-	2	-	-	-	-
Mongolia	249,861	225,136	1,262,770	1,518,419	14,013,130	19,859,842
	249,861	225,138	1,262,770	1,518,419	14,013,130	19,859,842

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the three month period ended March 31

(expressed in Canadian dollars)

17 Other expenses

	For the three months ended March 31	
	2021	2020
	\$	\$
Investor relations	6,675	6,675
Investment research	16,937	10,614
Repairs and maintenance	2,510	2,378
Office	16,753	12,893
Professional fees	225,375	177,770
Travel	2,663	10,752
Advertising	1,705	2,556
Land and property tax	21,921	29,895
Insurance	13,748	18,721
Utilities	12,892	38,981
Other	34,094	28,561
	355,273	339,796

18 COVID-19

Beginning in February of 2020, the Government of Mongolia undertook extra-ordinary actions in order to limit the spread of COVID-19 or other COVID-19 related impacts. These actions included closing borders, closing schools, reducing gatherings and drastic limitations on business operations. As long-term investors in Mongolia, the Corporation welcomes these actions that keep the people of Mongolia safe from COVID-19; however it is anticipated that these actions will lead to a severe economic crisis. Since the initiation of these actions, the Company has experienced a material reduction in rental revenues received. It is reasonable to expect there could be a material negative impact on the fair values of investment properties and/or marketable securities, however at this time the potential effect cannot be quantified. At this time, there is no way to know the ultimate impact of these extra-ordinary actions upon the economy or the Company.