

Mongolia Growth Group Ltd.

Condensed Interim Consolidated Financial Statements
(Unaudited)

For the six months ended

June 30, 2021 and 2020

(Expressed in Canadian dollars)

Mongolia Growth Group Ltd.

Condensed Interim Consolidated Statements of Financial Position

(Unaudited)

As at June 30, 2021

(expressed in Canadian dollars)

	June 30, 2021 \$	December 31, 2020 \$
Assets		
Current assets		
Cash (note 5)	465,335	1,361,771
Marketable securities owned (note 7)	22,086,143	10,613,444
Other assets (note 8)	1,382,194	159,729
	<u>23,933,672</u>	<u>12,134,944</u>
Non-current assets		
Investment properties (note 9)	13,789,210	14,542,236
Property and equipment (note 10)	1,227,845	1,293,241
	<u>15,017,055</u>	<u>15,835,477</u>
Total assets	<u>38,950,727</u>	<u>27,970,421</u>
Liabilities		
Current liabilities		
Trade payables and accrued liabilities	442,620	564,542
Unearned revenue (note 6)	1,354,898	-
Marketable securities sold short (note 7)	1,420,994	39,223
Income taxes payable	1,016	1,393
	<u>3,219,528</u>	<u>605,158</u>
Non-current liabilities		
Long Term CEBA Loan (note 12)	60,000	40,000
Deferred income tax liability	456,617	478,836
	<u>516,617</u>	<u>518,836</u>
Total liabilities	<u>3,736,145</u>	<u>1,123,994</u>
Equity		
Share capital (note 11)	52,118,924	53,165,247
Contributed surplus	6,849,976	6,849,976
Accumulated other comprehensive loss	(15,902,278)	(15,444,642)
Deficit	(7,852,040)	(17,724,154)
	<u>35,214,582</u>	<u>26,846,427</u>
Total equity	<u>35,214,582</u>	<u>26,846,427</u>
Total equity and liabilities	<u>38,950,727</u>	<u>27,970,421</u>
Commitment and contingencies (note 15)		

Approved by the Board of Directors

“Harris Kupperman” Director

“Robert Scott” 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 six month period ended June 30

(expressed in Canadian dollars)

	For the three months ended June 30		For the six months ended June 30	
	2021 \$	2020 \$	2021 \$	2020 \$
Revenue				
Rental income	144,581	181,406	289,003	393,615
Other revenue	34,835	16,987	140,275	29,916
Total revenue	179,416	198,393	429,278	423,531
Expenses				
Salaries and wages	199,690	149,849	361,123	292,426
Other expenses (note 18)	393,403	333,683	748,676	673,479
Depreciation (note 10)	15,357	17,779	31,030	35,213
Total operating expenses	(608,450)	(501,311)	(1,140,829)	(1,001,118)
Interest income	38	69	64	77
Unrealized loss on fair value adjustment on Investment properties	-	(2,031,102)	-	(2,031,102)
Impairment of property and equipment	-	(58,094)	-	(58,094)
Unrealized gain (loss) on short term investments (note 7)	845,526	20,116	1,338,345	(887,856)
Realized gain on short term investments (note 7)	3,477,804	1,043,445	9,438,065	912,907
Foreign currency gain (loss)	(143,789)	12,947	(214,019)	33,262
Finance costs	-	-	-	(9)
Total other income (loss)	4,179,579	(1,012,619)	10,562,455	(2,030,815)
Net income (loss) before income taxes	3,750,545	(1,315,537)	9,850,904	(2,608,402)
Income taxes	6,407	36,055	21,210	30,573
Net income (loss) for the period	3,756,952	(1,279,482)	9,872,114	(2,577,829)
Net income (loss) per share (note 11)				
Basic				
From net income (loss) for the period	0.13	(0.04)	0.33	(0.08)
Diluted				
From net income (loss) for the period	0.13	(0.04)	0.33	(0.08)

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 six month period ended June 30

(expressed in Canadian dollars)

	For the three months ended June 30,		For the six months ended June 30,	
	2021 \$	2020 \$	2021 \$	2020 \$
Net income (loss) for the period	3,756,952	(1,279,482)	9,872,114	(2,577,829)
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>(259,423)</u>	<u>(1,110,790)</u>	<u>(457,636)</u>	<u>256,760</u>
Total comprehensive income (loss)	<u>3,497,529</u>	<u>(2,390,272)</u>	<u>9,414,478</u>	<u>(2,321,069)</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 six month period ended June 30

(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	-	-	-	(2,577,829)	(2,577,829)
Other comprehensive income	-	-	256,760	-	256,760
	<u>53,504,935</u>	<u>6,849,976</u>	<u>(13,976,625)</u>	<u>(24,029,527)</u>	<u>22,348,759</u>
Share repurchase	(138,791)	-	-	-	(138,791)
Balance at					
June 30, 2020	<u>53,366,144</u>	<u>6,849,976</u>	<u>(13,976,625)</u>	<u>(24,029,527)</u>	<u>22,209,968</u>

	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	-	-	-	9,872,114	9,872,114
Other comprehensive income	-	-	(457,636)	-	(457,636)
	<u>53,165,247</u>	<u>6,849,976</u>	<u>(15,902,278)</u>	<u>(7,852,040)</u>	<u>36,260,905</u>
Share repurchase	(1,046,323)	-	-	-	(1,046,323)
Balance at					
June 30, 2021	<u>52,118,924</u>	<u>6,849,976</u>	<u>(15,902,278)</u>	<u>(7,852,040)</u>	<u>35,214,582</u>

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 six month period ended June 30

(expressed in Canadian dollars)

	June 30, 2021 \$	June 30, 2020 \$
Cash provided by (used in)		
Operating activities		
Net income (loss) for the period	9,872,114	(2,577,829)
Unearned revenue	1,354,898	-
Items not affecting cash		
Depreciation (note 10)	31,030	35,213
Deferred taxes	(22,218)	(39,606)
Unrealized loss on fair value adjustment on Investment properties	-	2,031,102
Realized gain on disposal of Investment Property	-	-
Impairment of property and equipment	-	58,094
Unrealized (gain) loss on marketable securities (note 7)	(1,338,345)	887,856
Realized (gain) on marketable securities (note 7)	(9,438,065)	(912,907)
	459,414	(518,077)
Net change in non-cash working capital balances (note 16)	(1,478,676)	654,783
	(1,019,262)	136,706
Financing activities		
Share repurchase (note 11)	(1,046,323)	(138,791)
Increase (decrease) in margin borrowing for marketable securities	1,088,721	(586,325)
Long term CEBA loan (note 12)	20,000	-
	62,398	(725,116)
Investing activities		
Net sale (purchase) of marketable securities (note 7)	(618,949)	320,027
Net proceeds on sale of investment properties	363,586	413,237
Acquisition of property and equipment (note 10)	-	(727)
	(255,363)	732,537
Effect of exchange rates on cash	315,791	(3,800)
Increase (decrease) in cash	(896,436)	140,327
Cash - Beginning of period	1,361,771	737,255
Cash - End of period	465,335	877,582

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 six month period ended June 30

(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 June 30, 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 June 30, 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
		June 30, 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 June 30, 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 six month period ended June 30

(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 August 26, 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. During the quarter, the Company has amended its existing revenue recognition policy to include revenue from a new service line.

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. The Company’s specific revenue recognition criteria are as follows:

i) Rental revenue

The Company has not transferred substantially all of the benefits and risk of ownership of its investment properties, and therefore, the Company accounts for leases with its tenants as operating leases. Rental revenue includes all amounts earned from tenants related to lease agreements including property tax and operating cost recoveries.

The Company reports rental revenue on a straight-line basis, whereby the total amount of cash to be received under a lease is recognized into earnings in equal periodic amounts over the term of the lease.

Contingent rents are recognized as revenue in the period in which they are earned.

Amounts payable by tenants to terminate their lease prior to their contractual expiry date (lease cancellation fees) are included in rental revenue at the time of cancellation.

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the six month period ended June 30

(expressed in Canadian dollars)

3 Significant Accounting Policies (continued)

Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset. Tenant incentives and discounts are recognized as a reduction of rental revenue on a straight-line basis over the term of the lease.

ii) Investment income

Investment income is recorded as it accrues using the effective interest method.

iii) Subscription revenue

The Company's source of revenue consists of subscriptions to its data analytics service. The subscription service provides customers the right to access its weekly data publications. The Company's subscription service represents a series of distinct publications produced each week and are made available to the customer continuously throughout the contractual period. However, the extent to which the customer uses the services may vary at the customer's discretion.

A performance obligation is a commitment in a contract with a customer to transfer products or services that are distinct. Determining whether products and services are distinct performance obligations that should be accounted for separately or combined as one unit of accounting may require significant judgment. The Company's data analytics service is considered to have a single performance obligation where the customer simultaneously receives and consumes the benefit, and as such revenue is recognized ratably over the term of the contractual agreement. Sales taxes collected from customers and remitted to government authorities are excluded from revenue and included in general and administrative expenses.

For the Company's data subscription product, the Company generally receives payment for the full subscription contract up front.

iv) Unearned revenue

Payments received in advance of services being rendered are recorded as unearned revenue and recognized ratably over the requisite service period.

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 six month period ended June 30

(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 9. 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 six month period ended June 30

(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 June 30, 2021, Management has made the judgment that one of the Company's assets meet the criteria to be classified as held for sale (\$567,000) (December 31, 2020 – none).
- Judgement is required in determining whether the Company's Investment property and land use rights titles are at risk. As at June 30, 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 six month period ended June 30

(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:

	June 30, 2021	December 31, 2020
	\$	\$
Barbados	1,423	1,006,689
Canada	275,889	218,694
Mongolia	188,022	136,388
	<u>465,335</u>	<u>1,361,771</u>

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

6 Revenue from Contracts with Customers

The Company's revenue from contracts with customers is comprised of data analytics subscriptions.

The Company has been working on building a data analytics service, named KEDM, during the last nine months, that tracks various Event-Driven strategies. The Company initiated a paywall on July 1, 2021 to start monetizing this service. Revenue collected prior to this date has been classified as unearned revenue and will be classified according to the Company's revenue policies described in note 4. This revenue is classified under accounts receivable on the Company's balance sheet at the end of the quarter as it was in transit from the payment processing company to the Company's bank account.

Contract Liabilities:

As of June 30, 2021, the Company has unearned revenue of \$1,354,898 (December 31, 2020 - \$nil).

MGG has engaged an arm's length company to compile and produce the KEDM report on an ongoing basis, while MGG will act as the distributor and marketer of the product. As a part of this engagement, MGG has agreed to pay certain direct and approved expenses related to producing KEDM in addition to 20% of quarterly earned revenues above a threshold. Expenses related to the unearned revenue have not yet been incurred and are not reflected in the Company's financial statements. MGG owns all intellectual property related to KEDM and the arm's length company disclaims any ownership or rights to the intellectual property. The agreement can be discontinued by either party following a reasonable transition period and MGG can engage a substitute party to continue the production of KEDM. For more information about KEDM, go to www.KEDM.COM.

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the six month period ended June 30

(expressed in Canadian dollars)

7 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 gain	-	1,338,345	-	-	1,338,345
Realized gain	-	9,438,065	-	-	9,438,065
FX loss	-	(215,710)	-	-	(215,710)
Interest Accrual	-	-	-	(1,860)	(1,860)
Net cash transferred out	(1,475,000)	-	-	-	(1,475,000)
Net Purchases (sales)	(618,949)	2,000,720	(1,381,771)	-	-
June 30, 2021	(1,088,721)	23,174,864	(1,420,994)	(487)	20,664,662

	Cash	Marketable securities Long	Marketable securities Short	Interest Accruals	Total
December 31, 2019	(586,325)	4,275,629	(23,340)	-	3,665,964
Unrealized gain	-	4,265,403	-	-	4,265,403
Realized gain	-	3,288,803	-	-	3,288,803
FX loss	-	(45,722)	-	-	(45,722)
Interest Accrual	-	-	-	1,374	1,373
Net cash transferred in	405,000	-	-	-	405,000
Net 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

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.

8 Other assets

	June 30, 2021 \$	December 31, 2020 \$
Accounts receivable	1,322,572	134,869
Prepaid expenses	33,930	24,860
Prepaid deposit on Investment Property	25,692	-
	1,382,194	159,729

Accounts receivable includes undeposited funds of \$1,189,315 from the payment processor of the Company's newly launched data analytics service. Prepaid deposit on Investment Property includes a deposit for a property in Puerto Rico purchased by the Company (approximately \$800,000) which closed in July 2021.

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the six month period ended June 30

(expressed in Canadian dollars)

9 Investment properties

	June 30, 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	(389,440)	(1,151,720)
	<hr/>	<hr/>
Balance - end of period	13,789,210	14,542,236

During the six-month period ended June 30, 2021, the Company sold one property with a value of \$363,586 at a net gain of \$nil. During the six-month period ended June 30, 2020, the Company sold two properties with a value of \$413,237 at a net gain of \$nil.

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the six month period ended June 30

(expressed in Canadian dollars)

10 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	(7,706)	-	-	(7,706)
Impairment	-	-	-	-
Foreign exchange adjustment	1,735	3,404	10,000	15,139
At June 30	66,224	129,945	1,743,299	1,939,467
2021				
	Furniture and fixtures \$	Equipment \$	Buildings \$	Total \$
Accumulated depreciation				
At January 1	54,401	116,680	467,712	638,793
Depreciation	2,993	5,166	22,871	31,030
Disposals	(7,706)	-	-	(7,706)
Foreign exchange adjustment	2,202	2,892	44,411	49,505
At June 30	51,890	124,739	534,994	711,622
Net book value at June 30	14,334	5,207	1,208,305	1,227,845

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the six month period ended June 30

(expressed in Canadian dollars)

11 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	-	(1,046,323)
Treasury stock cancelled	(2,432,000)	-
Balance June 30, 2021	28,849,499	52,118,924

As at June 30, 2021, the Company held nil (Q2 2020-104,500) shares in Treasury.

Earnings per share

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

	June 30, 2021 \$	December 31, 2020 \$
Weighted average number of shares – basic	30,220,380	32,102,372
Effect of dilutive stock options	-	-
Weighted average number of shares – diluted	30,220,380	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.

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12 Short term and long term debt

	June 30, 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.

13 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.

	June 30, 2021	December 31, 2020
	\$	\$
Current assets	23,933,672	12,134,944
Current liabilities	(3,219,528)	(605,158)
Working capital	20,714,144	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.

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14 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:

	Six months ending June 30, 2021	Six months ending June 30, 2020
	\$	\$
Salaries and other short-term employee benefits	262,571	235,569
Director fees	30,000	20,000
	292,571	255,569

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.

15 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.

16 Supplementary cash flow information

	Six months ending June 30, 2021	Six months ending June 30, 2020
	\$	\$
Changes in non-working capital arising from		
Other assets	(1,376,294)	1,062,820
Trade payables and accrued liabilities	(111,713)	(362,787)
Income tax payable	9,331	(45,250)
Changes in non-cash working capital from operating activities	(1,478,676)	654,783

Income taxes paid during the quarter were \$nil (Q2-2020 \$4,493). Interest paid during the quarter was \$nil (Q2-2020 \$nil).

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17 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 June 30, 2021		
	Investment property	Corporate	Total
	\$	\$	\$
Rental income	144,581	-	144,581
Property operating expenses	(245,497)	-	(245,497)
Unrealized mark to market gain	-	845,526	845,526
Realized gain on short term investments	-	3,477,805	3,477,805
Other expenses	(26,202)	(273,919)	(300,121)
Publication processing fees	-	(47,475)	(47,475)
Depreciation	(15,357)	-	(15,357)
Net investment income	-	38	38
Other revenue	34,835	-	34,835
Foreign currency gain (loss)	(272)	(143,517)	(143,789)
Net income (loss) before income taxes	(107,912)	3,858,458	3,750,546

	Six months ended June 30, 2021		
	Investment property	Corporate	Total
	\$	\$	\$
Rental income	289,003	-	289,003
Property operating expenses	(455,076)	-	(455,076)
Unrealized mark to market loss	-	1,338,345	1,338,345
Realized gain on short term investments	-	9,438,064	9,438,064
Other expenses	(60,365)	(546,883)	(607,248)
Publication processing fees	-	(47,475)	(47,475)
Depreciation	(31,030)	-	(31,030)
Net investment income	-	64	64
Gain/loss on disposal of Investment property	-	-	-
Other revenue	140,275	-	140,275
Foreign currency gain	(226)	(213,792)	(214,018)
Net loss before income taxes	(117,419)	9,968,323	9,850,904

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17 Segment information (continued)

	Three months ended June 30, 2020		
	Investment property \$	Corporate \$	Total \$
Rental income	181,406	-	181,406
Property operating expenses	(206,811)	-	(206,811)
Unrealized loss on fair value adjustment on Investment properties	(2,031,102)	-	(2,031,102)
Impairment	(58,094)	-	(58,094)
Unrealized mark to market gain	-	20,116	20,116
Realized gain on short term investments	-	1,043,445	1,043,445
Other expenses	(38,298)	(238,423)	(276,721)
Depreciation	(17,779)	-	(17,779)
Net investment income	3	66	69
Other revenue	16,987	-	16,987
Foreign currency gain (loss)	19,903	(6,956)	12,947
Net income (loss) before income taxes	(2,133,785)	818,248	(1,315,537)

	Six months ended June 30, 2020		
	Investment property \$	Corporate \$	Total \$
Rental income	393,615	-	393,615
Property operating expenses	(428,041)	-	(428,041)
Unrealized loss on fair value adjustment on Investment properties	(2,031,102)	-	(2,031,102)
Impairment	(58,094)	-	(58,094)
Unrealized mark to market loss	-	(887,856)	(887,856)
Realized gain on short term investments	-	912,907	912,907
Other expenses	(84,753)	(453,111)	(537,864)
Depreciation	(15,673)	-	(15,673)
Net investment income	11	66	77
Other revenue	29,916	-	29,916
Foreign currency gain	20,996	12,266	33,262
Finance cost	-	(9)	(9)
Net income (loss) before income taxes	(2,192,665)	(415,737)	(2,608,402)

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17 Segment information (continued)

	Balance as of June 30, 2021		
	Investment Property	Corporate	Total
	\$	\$	\$
Total assets	15,349,452	23,601,275	38,950,727
Property and equipment	1,227,845	-	1,227,845
Investment properties	13,789,210	-	13,789,210
Expenditures			
Property and equipment	-	-	-
Investment properties	-	-	-

	Balance as of June 30, 2020		
	Investment Property	Corporate	Total
	\$	\$	\$
Total assets	18,535,703	4,891,503	23,427,206
Property and equipment	1,364,128	-	1,364,128
Investment properties	16,791,098	-	16,791,098
Expenditures			
Property and equipment	727	-	727
Investment properties	145,412	-	145,412

	Revenue		Property and equipment		Investment property	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
	\$	\$	\$	\$	\$	\$
Canada	-	-	-	-	-	-
Mongolia	429,278	423,531	1,227,845	1,364,128	13,789,210	16,791,098
	429,278	423,531	1,227,845	1,364,128	13,789,210	16,791,098

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Notes to Condensed Interim Consolidated Financial Statements

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For the six month period ended June 30

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18 Other expenses

	For the three months ended June 30	
	2021	2020
	\$	\$
Investor relations	6,675	6,675
Investment research	15,030	11,263
Repairs and maintenance	5,214	6,051
Office	13,412	13,684
Professional fees	203,984	204,065
Travel	3,991	3,605
Advertising	1,892	2,894
Land and property tax	20,687	10,741
Insurance	13,717	18,135
Utilities	12,428	32,875
Other	48,898	23,694
Publication processing fee	47,475	-
	393,403	333,683

	For the six months ended June 30	
	2021	2020
	\$	\$
Investor relations	13,350	13,350
Investment research	31,968	21,877
Repairs and maintenance	7,724	8,429
Office	30,164	26,577
Professional fees	429,359	381,835
Travel	6,654	14,357
Advertising	3,597	5,450
Land and property tax	42,608	40,636
Insurance	27,465	36,856
Utilities	25,320	71,856
Other	82,992	52,256
Publication processing fee	47,475	-
	748,676	673,479

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19 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.

20 Subsequent events

The Corporation initiated a paywall for its data analytics subscription product on July 1st, 2021. As of June 30th, 2021, \$1,354,898 has been classified as unearned revenue for subscription services. Subsequent to June 30th, 2021, the Corporation has collected approximately \$150,000 in unearned subscription revenues.

Subsequent to quarter end, the Company has formed a Puerto Rican corporation and purchased a property in Puerto Rico for approximately \$800,000.

Subsequent to quarter end, the Company sold 5 properties in Mongolia with a book value of approximately \$1,300,000 for a gain of approximately \$75,000.

Subsequent to quarter end, the Company has repurchased 433,500 shares under its Normal Course Issuer Bid (NCIB) at an average price of \$0.80 for a net cost of \$346,268.