Mongolia Growth Group Ltd., Q4 2020 MD&A

Fourth Quarter 2020

MONGOLIA GROWTH GROUP LTD

TO THE SHAREHOLDERS OF MGG,

2020 was a difficult year for most businesses and ours was not spared. Between COVID-19 and repeated rounds of lock-downs, many of our tenants saw their businesses suffer. This was then compounded by travel restrictions and a declining economy. As a property company, we are only as successful as our tenants and when our tenants' businesses cannot operate, we are unable to charge the rent we are owed. Additionally, as the economy went into lock-down, our 3rd party sales and leasing business effectively ground to a halt—which is particularly frustrating as we were gaining real traction there.

Fortunately, we now have nine years of experience operating this business despite a never-ending series of economic crises. COVID-19 in many ways was just an average Tuesday at our company and our staff reacted intelligently and professionally in dealing with tenants who would have liked to have paid rent, yet couldn't due to the inability to operate their businesses. We offered various discounts to tenants and believe we have retained the majority of tenants assuming that things return to normal in the near future. Unfortunately, we have zero visibility into how long this COVID-19 crisis will last and when or even if business operations will return to normal. As a result, our focus remains on reducing costs in Mongolia and extending the runway on our liquidity situation as a result of our currently elevated burn rate.

During 2020 we reported $756,283 of rental revenue and $68,170 of other revenue, offset by $860,936 of property operating expenses in Mongolia. For the first time in our Corporation's history, Mongolia produced negative cash flow (defined as total revenue minus property operating expenses), whereas previously, Mongolia partly offset negative cash flow at the corporate level. As I noted above, we have zero visibility into when or if this will change. As a result, we'll continue to soldier on under impossible circumstances—with the view that it often comes out even worse than our wildest expectations in Mongolia. Unfortunately, due to the economic situation in Mongolia, we experienced a $2,700,069 fair value impairment to the portfolio and an additional $36,426 fair value impairment to our headquarters building which we classify as Property & Equipment. During the year, we sold 3 assets for $690,134 and a gain on sale of $106,762.

As our property revenues are largely out of our control, let's discuss what we're doing to diversify this business. Despite repeated efforts, to date, we have yet to find a business in North America that we can acquire. This inability is a combination of prudence on our side in terms of purchase price and a view that public market securities offer dramatically cheaper valuations along with immediate liquidity should we find an ideal acquisition. We remain focused on finding a business, but until valuations are reasonable, we will not purchase something just to keep ourselves busy. Instead, we have focused the past half year on building out a data-analytics service which tracks various Event-Driven strategies called KEDM. To learn more, subscribe at http://www.KEDM.COM

For the past few months, KEDM has been in an extended Beta test as we continue to onboard various data sets and respond to reader feedback which improves our data quality. To date, the reception to the free trial has dramatically exceeded our expectations, both in terms of total number of users and engagement. That said, we will not know the future revenue possibility of this service until we initiate a paywall and see what our conversion rate looks like—which will likely occur during the second quarter. Assuming that the uptake is acceptable, our plan is to reinvest a healthy percentage of the revenue in new hires in order to continue to build out additional data sets and improve KEDM. While it is far too early to say if this business will be profitable, it clearly has found an unmet demand amongst active investors and traders. My sincere hope is that it will generate enough cash flow to offset our corporate overhead, even after that overhead expands due to the increased needs of KEDM. That said, I do not believe that KEDM will ever really move the needle in terms of our overall business and should be seen as a way to hopefully reduce our burn rate while we seek out a business to launch or acquire.

Previously, the largest impediments to any diversification of our business were our burn rate and lack of liquidity. I am hopeful that KEDM solves for the former and our public security holdings appear to slowly be solving for the latter. Our securities portfolio produced a $4,265,403 unrealized gain and a $3,288,803 realized gain. This is primarily the result of well-timed security purchases during the depths of the COVID-19 crisis along with the utilization of various Event-Driven strategies. Additionally, the portfolio's value has continued to increase since the end of the year. I would like to note that our portfolio is invested in a highly concentrated manner and often a handful of positions comprise the majority of the portfolio. Therefore, I would expect the portfolio to be substantially more volatile than an index fund and focus your attention on realized gains—which are indicative of where investments were underwritten compared to fair value. Unrealized gains can and will fluctuate wildly based on movements in our holdings; however, if we purchased these investments at an attractive enough valuation, they should eventually accrete towards fair value and allow us to continue realizing gains.

Starting with this annual letter, we will be giving additional details on any portfolio position that comprises more than 10% of our securities portfolio. At year-end, the portfolio's largest exposures were an entity that owns Bitcoin, a large landowner in Florida, a natural gas producer, a transporter of propane and a company tied to housing and construction. While our public securities investments have helped offset operating losses during 2020, there are legal and tax reasons why it is inadvisable to grow this portfolio beyond a certain point. Instead, we see public securities as a highly liquid alternative to owning cash as we seek out an operating business to launch or acquire in North America. Additionally, my expectation is that 2020 is an outlier in terms of what you should expect in terms of our public securities portfolio's performance—results are unlikely to be this good in future periods.

Conceptually, as this Corporation continues to evolve, I see an entity with a core Mongolian presence, but also the ability to act like something of a Merchant Bank; having a strong and liquid capital base for launching and acquiring businesses, while using the flexibility of permanent capital to bridge the gap between public and private markets in terms of how we own these businesses. While this plan remains somewhat abstract, the launch of this first internally developed data business (however small) is the first concrete step in that direction. I hope to have more information in subsequent letters as we continue to refine the plan.

Returning to our overall business, while we remain optimistic about Mongolia's long-term future, we are realistic about our own company's predicament. Our property business is subscale and we expect that when combined with our corporate overhead, MGG will likely produce operating losses (excluding potential gains from our public securities portfolio) for the foreseeable future. As a result, we remain focused on selling non-core property assets (particularly in office and re-development) so that we can diversify the business, while keeping our core portfolio and management team so that we can pivot back to Mongolia when the economy returns to attractive growth rates. I remain convinced that our team in Mongolia is our most valuable asset as it gives us the optionality to move rapidly should the economy ever stabilize. I hope that one day we will be able to prove that value to shareholders.

Finally, I remain of the opinion that our shares are undervalued. During 2020, the Company re-purchased 1,642,500 shares under our Normal Course Issuer Bid at a cost of $339,688.

Sincerely,

Harris Kupperman
CEO

MONGOLIA GROWTH GROUP LTD.

Management Discussion & Analysis
December 31, 2020

The management of Mongolia Growth Group Ltd. ("MGG" or "the Corporation") presents the Corporation's management discussion and analysis for the year ended December 31, 2020 (the "MD&A"), compared with the year ended December 31, 2019. As of January 1, 2011, the Corporation adopted International Financial Reporting Standards ("IFRS"). This MD&A provides an overall discussion, followed by analyses of the performance of the Corporation's major reportable segments. The reporting and presentation currency in the consolidated financial statements and in this discussion and analysis is the Canadian dollar, unless otherwise noted.

This MD&A is dated April 5, 2021 and incorporates all relevant information and considerations to that date.

The following discussion and analysis should be read in conjunction with the audited consolidated financial statements of the Corporation for the year ended December 31, 2020 and December 31, 2019 together with all of the notes, risk factors and information contained therein, available on SEDAR at www.sedar.com.

Non-IFRS Financial Measures

This MD&A makes reference to adjusted earnings before interest, taxes, unrealized fair value adjustments, share based payments depreciation and amortization ("**Adjusted EBITDA**"). The Corporation uses Adjusted EBITDA as a measure of the performance of its operating subsidiaries as it excludes depreciation and interest charges, which are a function of the Corporation's specific capital structure, and also excludes entity specific tax expense. These amounts are not performance measures as defined under IFRS and should not be considered either in isolation of, or as a substitute for, net earnings prepared in accordance with IFRS.

Forward Looking Statements

This MD&A contains forward-looking statements relating to future events. In some cases, forward-looking statements can be identified by words such as "anticipate", "continue", "estimate", "expect", "forecast", "may", "will", "project", "should", "believe", or similar expressions. These statements represent management's best projections but undue reliance should not be placed upon them as they are derived from numerous assumptions. These assumptions are subject to known and unknown risks and uncertainties, including the "Risks and Uncertainties" as discussed herein. Actual performance and financial results will differ from any projections of future performance or results expressed or implied by such forward looking statements and the difference may be material.

Accordingly, readers are cautioned that events or circumstances could cause results to differ materially from those predicted. From time to time, the Corporation's management may make estimates and have opinions that form the basis for the forward-looking statements. The Corporation assumes no obligation to update such statements if circumstances, management's estimates, or opinions change.

Forward looking statements are included within the Outlook and Executive Strategy sections of this MD&A.

Section 1 – Overview

Financial and Operational Overview

During 2020, the Corporation continued to focus on ensuring that occupancy remained high and outstanding rents were collected, despite the prevailing economic weakness.

The Corporation's rental revenue was down significantly when compared to 2019. While the Corporation managed to maintain a high occupancy rate, with 90.6% office and 100.0% retail occupancy rates, it had to offer significant discounts to tenants affected by closures due to Covid-19 heavily affecting revenue.

During the year, the Company sold three properties for cash consideration of $690,134 and a net gain of $106,762 (2019- $302,959 loss). It is anticipated that the Corporation will continue to dispose of properties in future quarters in order to fund future working capital needs, the Normal Course Issuer Bid (NCIB) program, along with funding the start-up costs or capital cost of the acquisition of a business outside of Mongolia.

During the year, the Mongolian Tögrög decreased versus the Canadian dollar from 2,095 MNT/CAD on December 31, 2019 to 2,235 on December 31, 2020; a 6.7% decrease during the year. This depreciation led to a $1,108,206 comprehensive unrealized loss (2019– $1,831,600 loss) during the year.

Economic Overview

Starting in 2012, the Mongolian government initiated a program to restrict and inhibit foreign investment. Additionally, various government officials made statements designed to intimidate foreign investors, followed by arbitrary arrests of foreign employees and confiscations of foreign investments. These actions led to a dramatic slow-down in foreign direct investment (FDI) and an exodus of foreign investors. The economy would have entered a crisis sooner if not for expansionary fiscal policy and monetary stimulus from the Central Bank of Mongolia. However, by 2014, even this stimulus was insufficient to avert the economic crisis which is currently ongoing.

Despite official statistics that tended to show moderate economic growth, the Corporation is of the opinion that the economy had been in contraction from 2014 until mid-2018, though the rate of contraction had varied based on economic policy. During the second half of 2018, the Corporation noticed the first green shoots in many years.

Beginning in February of 2020, the Government of Mongolia undertook extra-ordinary actions to limit the spread of Covid-19. These actions included closing borders, closing schools, reducing gatherings and drastic limitations on business operations including the Corporation's operations. It is anticipated that these actions will lead to a severe economic crisis. Since the initiation of these actions, the Corporation has experienced a material reduction in rental revenues received. At this time, there is no way to know the ultimate impact of these extra-ordinary actions upon the economy or the Corporation. Additionally, there is a question as to the duration of these efforts and if this will be a continued endeavour. Until the economy re-opens, the Corporation anticipates substantial declines in rental revenues against a fixed cost structure in Mongolia and at the corporate level. This is likely to lead to an elevated level of operating losses for the Corporation.

To date, the Corporation has experienced a low level of bad debt expense; however, it has had to issue a significant number of discounts to tenants affected by the economic crisis. Additionally, many tenants have struggled to operate their businesses and the Corporation anticipates that a number of tenants may exit leases prematurely over the next few quarters, leading to an increase in vacancy and renovation expenses. The Corporation remains focused on filling leases as rapidly as possible, but cautions shareholders that future rental rates may decline substantially from currently contracted rates. Additionally, certain tenants may require rent discounts in order to stabilize their businesses. The Corporation intends to review each tenants' circumstances when determining the appropriate course of action.

Additionally, travel restrictions have made it impossible for members of senior management to travel to Mongolia and the overall operation of the business may suffer if travel restrictions are continued for a prolonged period of time. To date, the Corporation believes that its Mongolian staff have performed well during the crisis.

Management believes that the current economic crisis is the result of policies that have discouraged Foreign Direct Investment ("FDI") along with Covid-19. When the government takes the appropriate steps to stimulate FDI, it is expected that the economy can return to sustainable economic growth. Management remains a believer in the long-term growth potential of Mongolia.

Property Overview

During the boom years at the beginning of this decade, multiple sizable property developments were initiated. Despite an economic crisis that began in 2014, many of these developments were ultimately completed, while new projects have continually been initiated despite weak demand for these properties. There also remains a sizable shadow inventory of partially completed projects that may re-commence development at any time.

Despite substantial new supply over the past few years, before the economy was impacted by Covid-19, well-placed office and retail space in the city center was beginning to get absorbed with rental rates starting to increase. However, there is concern that stalled projects will enter the market during a period of weak demand and banks may be forced to liquidate distressed property assets due to the IMF bailout. Management continues to monitor and evaluate the ultimate impact of Covid-19 on property prices and the Mongolian economy. While there have been very limited transactions since the onset of Covid-19, Management is of the opinion that property prices have declined as a result of the impacts of the global pandemic and the weakening Mongolian economy. As a result, during 2020, the Corporation recorded a Fair Value impairment to the carrying value of its portfolio and an impairment to its headquarters building's carrying value, which is accounted for as Property & Equipment.

Management cautions investors that it is focused on continuing to dispose of non-core property assets when possible in order to recycle capital.

Section 2 - Executing the Strategy

Core Business

During the past nine years, Management and employees have worked hard to build up the infrastructure needed to manage MGG's institutional property platform. This platform is unique in Mongolia and is one of the only platforms capable of managing assets through the full cycle of ownership from acquisition through disposition and includes dedicated departments that manage maintenance, leasing, marketing and tenant management. Management believes it has a strong team in place to manage the business on an ongoing basis.

Due to MGG's unique platform, the Corporation has added third party leasing and property management to its focus, in order to leverage its existing resources. Management believes that it has excess capacity to handle these functions and has seen a sizable increase in interest in using its brokerage operation as awareness spreads in the Ulaanbaatar market. The Corporation intends to aggressively target this brokerage opportunity through its website at www.MGGproperties.com.

The Corporation has continued to have occupancy levels that are in excess of current market conditions and it credits its leasing and property management teams with this success. Additionally, bad debt expense has remained below expectations; however, the Corporation has had to issue significant discounts to tenants most affected by the current pandemic. The Corporation is unsure as to when or if these discounts can be rolled back as there has been substantial variability in total discounts issued as the year progressed.

Management believes that its current property operations are not at a sufficient scale to be cash flow positive. As such, the Corporation is looking at various investment opportunities outside of Mongolia, in order to diversify its business and is considering adopting a Merchant Bank model. Since 2017, the Corporation spent substantial time evaluating a number of businesses, but has not decided to move forward on any acquisition. Additionally, the Corporation has incubated a financial data product known as KEDM.COM since the summer of 2020 and assuming that there is demand, it intends to commercialize this product during the second quarter of 2021. While KEDM.COM is not anticipated to materially impact overall revenues, it is indicative of the direction that the Corporation is headed as it diversifies its sources of revenue. In the meantime, the Corporation has invested its excess capital in certain publicly traded securities. The Corporation believes that over time, it will continue to dispose of property assets in order to fund potential future investments outside Mongolia. The Corporation may be forced to take on additional borrowings or issue equity in order to finance these future investments.

The Corporation anticipates that revenues and EBITDA will decline in future quarters as properties are sold to fund working capital needs, investments and future potential business acquisitions. Additionally, Management anticipates an increase in operating expenses in future quarters, primarily as a result of an increase in payroll along with due diligence expenses related to potential acquisitions outside of Mongolia along with potential start-up expenses related to any businesses started internally. Management expects to finance losses with additional property sales, borrowings, and potentially dilutive equity offerings.

Portfolio

Mongolia Growth Group's properties are located in the Downtown and the Central Business District of Ulaanbaatar. Within the financial statements, MGG classifies properties in each of the following categories; Investment Properties, Property and Equipment, and Other Assets. Fluctuations in the values of the Corporation's property portfolio during the year can be attributed to changes in valuations, properties sold, and the change in value of the functional currency (Mongolian Tögrög) versus the Canadian dollar.

Investment Properties

Investment Properties include properties held to earn rental revenue, for capital appreciation and/or for redevelopment. Investment Properties are initially valued at fair value, which is the purchase price plus any directly attributable expenditure. Investment Properties are subsequently valued at fair value, which reflects market conditions at the date of the statement of financial position.

The following table represents properties classified as Investment Properties, as of December 31, 2020:

	2020		2019	
	# of Properties	Value at 31-December-2020 $CDN	# of Properties	Value at 31-December-2019 $CDN
Office	2	896,266	1	1,033,875
Retail	14	9,415,983	17	12,307,380
Land and Redevelopment	2	4,229,987	2	5,490,730
Total	**18**	**14,542,236**	**20**	**18,831,985**

Property and Equipment

Properties are classified as Property and Equipment if the Corporation occupies more than 10% of the property. Properties classified as Property and Equipment are measured at cost less accumulated depreciation, less any accumulated impairment losses. All repairs and maintenance costs to these properties are charged to the Consolidated Statement of Operations during the period in which they occur unless eligible for capitalization. The Corporation's headquarters, purchased in October 2011, falls within this category.

The following table represents properties classified as Property and Equipment, as of December 31, 2020:

	2020		2019	
	# of Properties	Value at 31-December-2020 $CDN	# of Properties	Value at 31-December-2019 $CDN
Office	1	1,265,587	1	1,389,068
Retail	-	-	-	-
Land and Redevelopment	-	-	-	-
Total	**1**	**1,265,587**	**1**	**1,389,068**

Occupancy Rates

A summary of MGG's property portfolio occupancy rates is set forth in the following table:

	31 –December- 2020	31 –December- 2019	31 –December- 2018
	Occupancy Rate*	Occupancy Rate*	Occupancy Rate*
Office	96.6%	96.9%	94.9%
Retail	100.0%	100.0%	100.0%
Weighted Average**	**97.0%**	**98.8%**	**98.1%**

* Occupancy rates are calculated on a per meter basis and only include properties in the rental pool. It does not include those currently listed for sale.
** Weighted Average is calculated based on total meters available for lease.

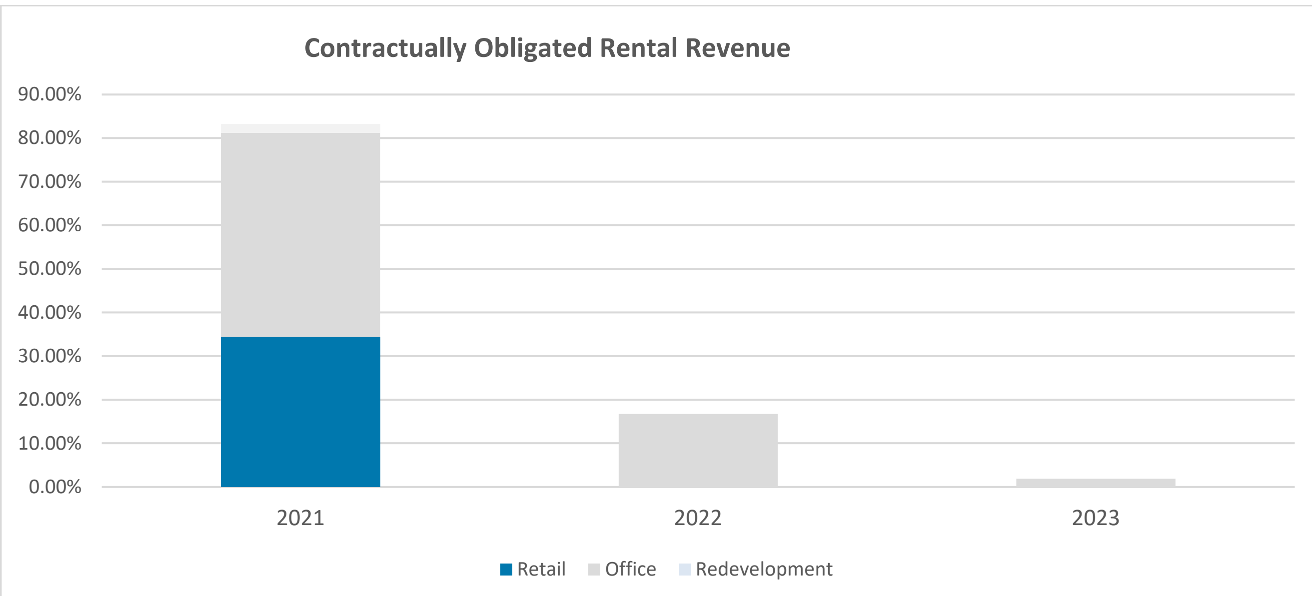
Demand for retail space has remained strong, despite a challenging economy. Occupancy levels for the Corporation's office space continues to be strong even while vacancy levels throughout the city have remained high as additional supply has entered the market. The Corporation's Tuguldur Center has been impacted by the closure of numerous schools that are nearby and a resulting lower level of foot traffic, leading to reduced occupancy that has fluctuated during the year. The Corporation has offered numerous tenant discounts in order to retain stable tenants. It is too soon to determine the ultimate impact of Covid-19 on Tuguludur Center and when or if rental rates can return to prior levels.

Leasing Schedule

In order to reduce the Corporation's exposure to currency fluctuations and inflation, the Corporation targets shorter lease durations with most tenants. Management's experience is that this practice is in line with local industry standards, with the expectation that once leases expire, existing tenants are offered the first right to re-lease the space at then prevailing market rates.

A summary of the Corporation's lease signings by asset class is presented in the chart below (while these are contracted rates, it is anticipated that many tenants will pay reduced cash rates until the economic crisis concludes):

Most Recent Lease Signings					
Lease Type	Lease Renewal Date	SqM	Old Price Per Meter (Mongolian Tögrög)	New Price Per Meter (Mongolian Tögrög)	Percent Increase (decrease)
Office Lease	Oct-20	33	35,000	30,000	-14.3%
Office Lease	Oct-20	31	35,000	35,000	0.0%
Office Lease	Oct-20	24	35,000	35,000	0.0%
Retail Lease	Oct-20	90	25,666	29,333	14.3%
Office Lease	Oct-20	70	42,000	42,000	0.0%
Office Lease	Oct-20	22	25,000	25,000	0.0%
Office Lease	Nov-20	183	30,000	30,000	0.0%
Retail Lease	Nov-20	360	27,777	27,777	0.0%
Office Lease	Nov-20	90	25,000	25,000	0.0%
Retail Lease	Dec-20	113	17,699	17,699	0.0%
Retail Lease	Dec-20	201	35,486	35,486	0.0%



The weighted average remaining lease length, calculated as a percentage of monthly revenues, increased slightly during the year to 9.2 months in December 2020 compared to 8.1 months in December 2019.

Due to the impacts of Covid-19, Management is unable to determine current market rates as many tenants in Mongolia are operating under some form of discount or rental holiday. It is Management's belief that the majority of the Corporation's existing leases are at rates that are in-line with prevailing market rates that existed before Covid-19. Future changes in lease rates are dependent on economic conditions.

Publicly Traded Securities

The Corporation has invested a portion of its excess capital in marketable securities. As at December 31, 2020, the Corporation held long positions in multiple different publicly traded companies. The value of marketable securities owned was $10,613,444 and securities sold short was $39,223.

The year saw a recovery in the value of the Corporation's publicly traded securities holdings when compared to 2019. During the year, the Corporation realized gains of $3,288,803 (2019- loss of $358,826) from sales of public securities during the year, experienced unrealized gains of $4,265,403 (2019 –$454,824) and a foreign exchange loss of $45,722 (2019 – gain of $228,761).

At the end of the year, positions that were in excess of 10% of the portfolio included shares of companies and securities with exposure to crypto currency (Grayscale Bitcoin Trust – 91,436 shares) and real estate (St Joe Company – 56,162 shares).

The Corporation anticipates that its public security portfolio will experience volatility beyond the normal volatility of its property portfolio and the timing of gains and losses will be unpredictable.

The Corporation's public securities weightings as of December 31, 2020 are broken out in the following sectors;

Long Portfolio	
Industry Sector	Percentage
Crypto currency	32.2%
Real Estate	26.2%
Natural gas	6.4%
Transportation & logistics	6.2%
Financials	5.8%
Consumer services	5.1%
Utilities	3.4%
Metals and mining	3.2%
Other long equities	3.2%
Short Put Option Portfolio	
Industry Sector	Percentage
Options	-0.3%

Management considers its marketable securities holdings to be fairly liquid and can be sold should the Corporation need to increase its cash position, launch a new business or find an attractive acquisition. For tax and regulatory reasons, the Corporation does not intend for its public securities portfolio to ever represent a majority of the total assets.

Since the end of the year, the value of the public securities portfolio has appreciated considerably. As of March 31, 2021, the portfolio had a value in excess of $17,000,000. In addition, during the first 3 months of 2021, the Corporation withdrew $525,000 of cash from the investment account to fund working capital needs and the Corporation's NCIB program.

Section 3 – Results of Operations

Selected Annual Financial Information (CAD)

	Year ended 31-Dec- 2020	Year ended 31-Dec- 2019	Year ended 31-Dec- 2018
Revenue and other income	931,215	1,140,830	1,471,649
Income			
Net income (loss) attributable to equity holders of the Corporation	3,727,544	(3,250,446)	1,557,343
Total Comprehensive income/ (loss) attributable to equity holders of the Corporation	2,516,287	(4,257,182)	1,416,968
Basic earnings per share ("EPS") (in CAD)			
Net income/ (loss)	0.12	(0.10)	0.05
Diluted EPS (in CAD)			
Net Income/ (loss)	0.12	(0.10)	0.05
Balance Sheet			
Total assets	27,970,421	26,077,221	31,017,823
Total liabilities	1,123,994	1,407,393	1,970,518
Total equity	26,846,427	24,669,828	29,047,305
Shares outstanding at year end	31,281,499	32,767,499	33,243,999
Book value per share	0.86	0.75	0.87

Revenue from Investment Properties

Rental revenue from Investment Properties decreased from $1,287,353 in 2019 to $756,283 in 2020. This is primarily due to discounts given to tenants due to Covid-19 restrictions, fewer investment properties along with the depreciation of the Mongolian Togrog.

Revenue from Other Sources

Revenue from other sources consists of late fees and other income, principally the Corporation's brokerage business. For the year ending December 31, 2020, revenues from other sources totaled $68,170 compared to $156,436 for the year ending December 31, 2019 as the number of real estate transactions stalled during the year.

Gain/loss on disposal of Investment Properties

During the year, the Corporation sold three properties for cash consideration of $690,134 for a gain of $106,762 (2019 – three properties sold for a loss of $302,959).

Fair Value Adjustment on Investment Properties

The estimate of fair value of investment properties is a critical accounting estimate to the Corporation. An external appraiser estimates the fair value of the majority of the Investment Properties annually, the remainder are appraised internally by Management. The fair value of investment properties is based on the nature, location and condition of the specific asset. The fair value of investment properties represents an estimate of the price that would be made in an arm's length transaction between knowledgeable, willing parties. The Corporation operates in the emerging real estate market of Mongolia, which given its current economic and industry conditions, has an increased inherent risk given the lack of reliable and comparable market information. For the year ended December 31, 2020, the Corporation recorded a valuation loss of $2,700,069 (2019 – $1,347,662 loss). Management continues to evaluate the impacts of Covid-19 on property prices.

Income Taxes

The Corporation has subsidiaries in Mongolia that are subject to income taxes and, accordingly, has provided for current and deferred income taxes with respect to those subsidiaries.

Differences between IFRS and statutory taxation regulations in Mongolia give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The deferred tax liability on the balance sheet decreased by $103,051 during the year (Q4 2019 - $155,606 decrease) primarily due to sale of investment properties and an unrealized loss on the fair value of investment properties.

Unrealized short-term investment gain/loss

During the year, the Corporation had unrealized gains of $4,265,403 compared to an unrealized short-term investment gain of $454,824 during 2019.

Realized public securities investment gain/loss

During the year, the Corporation had a realized investment gains of $3,288,803 compared to a realized investment loss of $358,826 in 2019.

Realized foreign currency gain/loss

During the year, the Corporation had a realized foreign currency loss of $17,218 compared to a foreign currency gain of $208,195 in 2019.

Share Repurchase

During 2020, the Corporation repurchased 1,642,500 of its common shares under its Normal Course Issuer Bid (NCIB) at an average price of $0.21 (2019-404,500, $0.30 average). As at December 31, 2020, the Corporation held 191,500 shares in Treasury to be cancelled during the first quarter of 2021 (2019- 35,000).

Property Operating Expenses

Property Operating Expenses consist of repairs and maintenance, bad debts, utilities, salaries, as well as land and property taxes. For the year ending December 31, 2020, the property operating expenses were $860,936 compared to $1,055,102 during the same period in 2019. This decrease was primarily due to a decrease in salaries and commissions associated with the Company's third-party brokerage business along with fewer property assets due to disposals and a decrease in the local currency.

Corporate Expenses

Corporate expenses include senior management and board of director compensation, listing fees, professional fees, technology, travel, investment research expenses, KEDM.COM development costs and administrative costs.

For the year ending December 31, 2020, general and administration expenses were slightly decreased from $1,067,158 in 2019 to $910,968 in 2020 as a result of less travel, fewer conferences and reduced bonuses.

Currency

The Mongolian Tögrög has fluctuated significantly over the past five years. The Mongolian Tögrög has depreciated 6.8%, 5.1%, 11.5% and 5.3% in 2011, 2012, 2013 and 2014 respectively versus the Canadian Dollar while appreciating 11.4% in 2015 and depreciating 28.5% in 2016, a further 4.3% in 2017, 0.7% in 2018, 8% in 2019 and 6.7% in 2020. The fluctuation in the currency is reflected in the Corporation's financial statements, most notably in the investment property portfolio, as it is the largest item on the balance sheet. Note 8 in the financial statements discloses the foreign exchange adjustment, which flows through the investment property classification during each period. As at December 31, 2020, the Corporation recognized a foreign exchange adjustment loss of $1,151,720 (2019 - loss of $1,760,121) to its investment property portfolio due to the 6.7% depreciation of the local currency during the year.

Operating Profit (Loss)

Overall, the Corporation reported an Adjusted EBITDA loss of $1,125,602 during 2020 (2019 – loss of $929,972).

The following table reconciles net income before income tax to EBITDA and Adjusted EBITDA from operations.

	2020 $	2019 $
Net Income before Income taxes	3,625,805	(3,315,654)
Add Depreciation and Amortization	68,795	73,294
Subtract Interest and Investment Income/gains / finance expense	(7,556,697)	(18,793)
EBITDA	**(3,862,097)**	**(3,261,153)**
Subtract Fair Value Adjustment Gain (add back loss) on all properties including impairments on PPE and Other Assets	2,736,495	1,506,317
Add back reclassification of accumulated other comprehensive income on disposal of subsidiary	-	824,864
Total Adjusted EBITDA	**(1,125,602)**	**(929,972)**

Net Income

For the year ended December 31, 2020, the Corporation had a net gain of $3,727,544 compared to a net loss of $3,250,446 for the year ended December 31, 2019. This increase versus the same period last year is primarily due to the substantial unrealized and realized gain on marketable securities of $4,265,403 and $3,288,803 respectively offset by an unrealized loss on fair value adjustment on investment properties of $2,700,069 during the year (2019 – unrealized loss on fair value of investment property of $1,347,662). Management cautions investors that the Corporation is primarily focused on increasing shareholder value on a per share basis. This means that operationally, Management is more concerned with long-term asset appreciation at the expense of short-term cash flow. Management expects this to be the case for the foreseeable future.

Section 4 - Financial Condition

Cash Flow

Mongolia Growth Group's primary sources of capital are cash generated from equity issuance, investing, financing and asset sales. Management expects to meet all of the Corporation's obligations through current cash and cash equivalents along with cash flows from asset sales.

The following table provides an overview of the Corporation's cash flows from operating, financing and investing activities for the year ended December 31, 2020 and 2019.

		For the year ending
	31-December-2020 $	31-December-2019 $
Net change in cash related to:		
Operating	(353,812)	(502,836)
Investing	1,769,219	1,487,827
Financing	(886,013)	(801,197)
Effects of exchange rates on cash	95,122	(191,950)
Net change in cash during the period	**624,516**	**(8,156)**

Overall, the Corporation had cash inflows of $624,516 during 2020 compared to cash outflows of $8,156 in 2019. The Corporation had significant cash inflows from Investing offset by outflows from Operating and Financing. The changes in components of cash flows for the year ended December 31, 2020, compared to the year ended December 31, 2019, were the result of the following factors:

- **Operating**–The Corporation experienced a moderate decrease in Operating cash outflows for the year ended 2020 versus outflows for the year ended 2019 due to an increase in non-cash working capital balances.

- **Investing**–The Corporation experienced an increase in Investing cash inflows for the year ended 2020 primarily due to an increase in net sales of marketable securities offset by a smaller inflow from the disposal of investment properties.

- **Financing**–Financing cash outflow during the 2020 year were slightly larger than 2019 as the Corporation had a decrease in margin borrowings in 2020 offset by the receipt of a $40,000 government loan while the Corporation repaid its bank debt in 2019.

To date, the Corporation has been able to meet all of its capital and other cash requirements from its internal sources of cash. As at December 31, 2020, the Corporation had $1,361,771 (2019 - $737,255) in cash and cash equivalents. Management considers its marketable securities' holdings to be fairly liquid and can be sold should the Corporation need to increase its cash position.

Total Assets

As of December 31, 2020, the Corporation had $12,134,944 (2019 - $5,809,586) in Current Assets out of which $1,361,771 were held in cash and cash equivalents (2019 - $737,255) and $10,613,444 were held in marketable securities (Q4-2019 - $3,689,304). The increase in cash and marketable securities are due to the realized and unrealized gains in marketable securities during the period.
The majority of the Corporation's assets are classified as Non-Current Assets, mainly Investment Properties. Investment Properties are carried at Fair Market Value and decreased to $14,542,236 during the year (2019 -$18,831,985) as a result of properties sold during the period, fair value impairments taken and a foreign exchange adjustment loss during the period.

Property and Equipment, which primarily consists of properties that are measured at their cost base, decreased from $1,435,650 as at December 31, 2019 to $1,293,241 as at December 31, 2020 due to a fair value impairment taken on the Corporation's headquarters at the end of the year and the decrease in the Mongolian Togrog exchange rate.

Total Liabilities

As of December 31, 2020, the Corporation had current liabilities of $605,158 (2019 - $825,506) consisting primarily of marketable securities sold short, payables and accrued liabilities.

As of December 31, 2020, the non-current liabilities on the balance sheet were deferred income taxes of $478,836 (Q4 2019- $581,887) and a long term CEBA loan of $40,000 (Q4 2019-nil).

Management considers all other current cash commitments to be immaterial and operational in nature.

Total Equity

The equity of the Corporation consists of one class of common shares.

Outstanding	31-December- 2020	31-December-19
Common shares	31,281,499*	32,767,499*
Options to buy common shares	-	1,420,000

* As at December 31, 2020, the Corporation held 191,500 common shares in Treasury to be cancelled during the first quarter of 2021 (2019-35,000).
* As at April 6, 2021, the Corporation had 30,028,499 shares outstanding, no shares held in treasury and no options outstanding.

Options Outstanding

At December 31, 2020, the Corporation had nil options that were exercisable (December 31, 2019-1,420,000).

The chart below shows the historical option grants and options outstanding as of December 31, 2020.

Option Price	Granted	Expired	Forfeited	Cancelled	Exercised	Total Options Outstanding	Total Exercisable	Non exercisable
1.64	100,000	-	-	-	100,000	-	-	-
1.75	300,000	50,000	-	-	250,000	-	-	-
1.9	1,363,000	1,078,000	85,000	-	200,000	-	-	-
4.2	900,000	205,000	408,000	287,000	-	-	-	-
4.77	175,000	20,000	100,000	55,000	-	-	-	-
4.25	150,000	5,000	50,000	95,000	-	-	-	-
4.0	190,000	-	-	190,000	-	-	-	-
4.13	475,000	125,000	75,000	275,000	-	-	-	-
1.09	375,000	300,000	75,000	-	-	-	-	-
0.72	935,000	855,000	80,000	-	-	-	-	-
0.74	640,000	565,000	75,000	-	-	-	-	-
0.38	350,000	280,000	70,000	-	-	-	-	-
Total	**5,953,000**	**3,483,000**	**1,018,000**	**902,000**	**550,000**	**-**	**-**	**-**

Acquisitions and Dispositions

During the year, the Company sold three properties for cash consideration of $690,134 and a net gain of $106,762 (2019- $302,959 loss).

In comparison, during the year ended December 31, 2019, three investment properties were sold for cash and property considerations of $2,221,346 resulting in net loss of $302,959 on these transactions.

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

Related Party Transactions	2020 $	2019 $
Salaries and other short-term benefits to officers	479,281	481,213
Director fees	40,000	40,000
Total	**519,281**	**521,213**

Starting in 2019, certain entities affiliated with Harris Kupperman, the Corporation's Chairman and CEO, have agreed to share certain expenses related to the Corporation's investments in public securities. Management expects that this will reduce MGG's investment related expenses for a similar level of research capabilities.

Off-Balance Sheet Items

As of December 31, 2020, the Corporation had no off-balance sheet items.

COVID-19

Beginning in February of 2020, the Government of Mongolia undertook extra-ordinary actions in order to limit the spread of COVID-19. 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 also reasonable to expect there could be a material negative impact on the fair values of investment properties in future periods; 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. In addition, there is no way to know the duration of these extra-ordinary actions that are destroying the Mongolian economy.

Events Subsequent to Year End

- The Company has repurchased 1,061,500 of its shares at an average price of $0.42/share and cancelled 1,253,000 shares.
- The Company sold one property for total proceeds of approximately $396,000 and a net gain of $nil.
- As disclosed in the Corporation's March 18, 2021 press release, the Corporation announced that the TSX Venture Exchange (the "Exchange") had accepted a Notice of Intention to renew its normal course issuer bid to purchase outstanding common shares of the Corporation on the open market in accordance with the policies of the TSX.

  Securities Sought

  Up to 2,250,000 common shares, representing up to approximately 7.4% of the 30,481,499 Common Shares of the Issuer currently issued and outstanding, or approximately 10.0% of the 22,545,249 common shares constituting the Issuer's current Public Float (as defined in the Policies of the Exchange).

  Duration

  The Issuer intends to commence purchasing its common shares under the Normal Course Issuer Bid three clear trading days following acceptance of the same by the TSX Venture Exchange (the "Exchange") The Normal Course Issuer Bid will terminate on the date that is one year from the date on which purchases commence.

  Method of Acquisition

  Purchases will be affected through the facilities of the Exchange. Purchase and payment for the common shares of the Issuer will be made by the Issuer in accordance with Exchange requirements.

Member and Broker

The Normal Course Issuer Bid will be conducted by M Partners Inc. of 70 York Street, Suite 1560, Toronto ON M5J 1S9; Phone: (416) 603-7381.

Consideration Offered

Purchases of common shares under the Normal Course Issuer Bid will be conducted at applicable Market Prices in accordance with Exchange requirements. Completion of purchases under the bid will be subject to the Issuer having sufficient funds to acquire the common shares and continue to meet its working capital requirements throughout the course of the bid. The Issuer may in the normal course of its business operations, subject to market conditions, sell one or more of its investment properties to fund acquisitions throughout the course of the bid.

Reasons for the Normal Course Issuer Bid

The Issuer is undertaking the bid because, in the opinion of its board of directors, the market price of its common shares, from time to time, may not fully reflect the underlying value of its operations and future growth prospects. The Issuer believes that in such circumstances, the purchase of the common shares of the Issuer may represent an appropriate and desirable use of the Issuer's funds and further enhance market stability.

Persons Acting Jointly or in Concert with the Issuer

N/A

Valuation

After making reasonable enquiry, the Issuer is not aware of any appraisal or valuation of the Issuer's securities that has been prepared within the preceding two years.

In connection with the preparation of its audited financial statements for the financial year ending December 31, 2019, the Issuer engaged CBRE Limited, an arm's length property valuator, to prepare the following independent valuation reports (the "Valuation") in respect of the Issuer's Mongolian real estate investment assets:

- Report entitled "Retail Valuation Report – Ulaanbaatar, Mongolia", dated March 5, 2020, which ascribed a value of 872,000,000 MNT (Mongolian Togrogs) to the Issuer's material retail real estate investment assets as at December 31, 2019;
- Report entitled "Land Valuation Report – Ulaanbaatar, Mongolia", dated March 5, 2020, which ascribed a value of 27,653,000,000 MNT (Mongolian Togrogs) to the Issuer's material land investment assets as at December 31, 2019; and
- Report entitled "Office Valuation Report – Ulaanbaatar, Mongolia", dated March 5, 2020, which ascribed an aggregate value of 2,166,000,000 MNT (Mongolian Togrogs) to the Issuer's material office real estate investment assets as at December 31, 2019.

The Valuations were prepared for internal accounting purposes and the Issuer does not have permission to share the Valuations externally.

Previous Purchases

The Issuer has purchased 2,370,000 of its common shares at an average price of $0.30 within the past 12 months.

Acceptance by Insiders, Affiliates and Associates

To the knowledge of the Issuer, no director, senior officer or other Insider of the Issuer or any associate or affiliate of the Issuer or any insider of the Issuer currently intends to sell common shares under the Normal Course Issuer Bid. However, such sales by persons through the facilities of the Exchange may occur if the personal circumstances of such persons change or any such person makes a decision to sell shares as market circumstances may warrant. The benefits to any such person whose shares are purchased under the bid would be the same as the benefits available to all other holders of the Issuer's common shares whose shares are purchased under the bid.

Section 5 - Quarterly Information

Quarterly Results

The following table is a summary of select quarterly information over the previous eight quarters:

	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Revenue	182,989	324,695	198,393	225,138	30,194	377,605	372,167	360,864
Net income (loss)	5,257,076	1,048,297	(1,279,482)	(1,298,347)	(3,013,557)	(679,160)	178,237	264,034
Income (loss) per common share	0.17	0.03	(0.04)	(0.04)	(0.10)	(0.02)	0.01	0.01
Total Assets	27,970,421	23,992,584	23,427,206	25,832,058	26,077,221	31,942,398	30,121,056	30,969,616
Weighted Average Shares (No.)	32,102,372	32,312,665	32,455,903	32,665,532	32,989,169	33,049,028	33,104,645	33,113,966
Ending Shares (No.)	31,281,499	31,856,999	32,132,499	32,398,499	32,767,499	32,891,499	32,954,499	33,136,999

Revenue

During the fourth quarter, the Corporation's real estate subsidiary earned total revenue of $182,989 (Q4 2019 -$30,194) of which rental revenue was $170,183 (Q4 2019 - $301,771). This rental income decrease is largely attributed to discounts given to tenants due to government-imposed lockdowns during the quarter. The quarterly revenue number also includes other revenue earned from miscellaneous sources such as late fees, brokerage fees and gains/losses from the sale of investment properties. During the fourth quarter, the Corporation did not sell any properties compared to a loss of $302,959 on the sale of investment properties during the fourth quarter of 2019 which negatively affected the Corporation's revenue.

During the quarter, the Corporation also incurred an unrealized loss on fair value adjustment on investment properties and impairment of PP&E of $647,298 (Q4 2019 - $1,506,317).

Lastly, during the quarter, the Corporation had unrealized gains of $5,012,686 and realized gains of $1,293,328 in its marketable securities portfolio (Q4-2019 – unrealized: $461,441, realized: $477,851 loss)

Expenses

Quarterly expenses totaled $672,723 (Q4 2019 - $760,365). This decrease was due to a reduction in commissions.

Net Income

During the quarter, the Corporation experienced a gain of $5,154,025 in comparison to a loss of $3,013,557 in the same quarter of the previous year. This difference is mainly attributed to significant gains in the marketable securities portfolio compared to a large loss recorded during the fourth quarter of 2019.

Section 6 – Critical Estimates

Critical Accounting Estimates

The preparation of financial statements in accordance with IFRS required Management to make assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments 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 critical estimates made in the preparation of the consolidated financial statements include the following:

Fair value of investment properties

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.

Operating Environment of the Corporation

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 continuing demand from China and continuing high global prices for commodities as well as being dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government of Mongolia together with tax, legal, regulatory and political developments. Management is unable to predict all developments that could have an impact on the Mongolian economy and consequently what effect, if any, they could have on the future financial position of the Corporation.

From 2016 to 2020, the Corporation has had difficulty in converting Mongolian Tögrög to U.S. Dollars at large Mongolian banks. This difficulty has persisted in subsequent periods, but to a lesser degree. There can be no certainty regarding the ability to convert or wire money from Mongolia in the future.

Due to the economic crisis, businesses are increasingly paying for transactions using various forms of barter such as used equipment, apartments, vehicles, future services and livestock. To date, the Corporation has only agreed to receive barter items in extreme circumstances and has a strong preference to avoid using barter in transactions. As the economic crisis worsens, barter transactions may become a more substantial percentage of overall economic transactions. As a result, the Corporation may be forced to receive barter items at a higher frequency. These barter items are often difficult to value and monetize and may cause other difficulties for the Corporation that are impossible to predict.

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 Corporation has experienced a material reduction in rental revenues received. At this time, there is no way to know the ultimate impact of these extra-ordinary actions upon the economy or the Corporation.

Deferred Tax Assets

Deferred tax assets are recognized to the extent that it is probable that deductible temporary differences will reverse in the foreseeable future and there will be sufficient future taxable profits against which the deductible temporary differences can be utilized. Management reviews the carrying amount of deferred tax assets at the end of each reporting period which is reduced to the extent that it is no longer probable that deferred tax assets recognized will be recovered, or increased to the extent that sufficient future taxable profit will be available to allow all or part of a previously unrecognized deferred tax asset to be recovered. Estimates of future taxable income are based on forecasted cash flows from operations, available tax planning opportunities and expected timing of reversals of taxable temporary differences.

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.

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

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 timeframe of one year and the period of time any amounts have been classified within assets held for sale. Management 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 December 31, 2020 and 2019, Management has made the judgment that none of the Corporation'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 December 31, 2020 and 2019, 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.

Section 7 – Risk Management

Credit Risk

The Corporation's exposure to credit risk is managed through risk management policies and procedures with emphasis on the quality of the investment portfolio. For the year, most of the Corporation's credit risk consisted of institutional deposits. The majority of the funds invested are held in reputable Canadian, American or Mongolian banks.

The Corporation is exposed to credit risk as an owner of real estate in which tenants may become unable to pay contracted rents. The Corporation mitigates this risk by carrying out due diligence on significant tenants. The Corporation's properties are diversified across residential and commercial classes. Historically, bad debts have not been a substantial expense for the Corporation. Recently, the Corporation has experienced an increase in late rental payments. The Corporation believes that it will collect all of this debt, but there is no certainty that this will occur.

Liquidity Risk

Under certain market conditions, such as during volatile markets or when trading in a security or market is otherwise impaired, the liquidity of the Corporation's portfolio positions may be reduced. In addition, the Corporation may from time to time hold large positions with respect to a specific type of financial instrument, which may reduce the Corporation's liquidity. During such times, the Corporation may be unable to dispose of certain financial instruments, including longer-term financial instruments, which would adversely affect its ability to rebalance its portfolio. In addition, such circumstances may force the Corporation to dispose of financial instruments at reduced prices, thereby adversely affecting its performance. If there are other market participants seeking to dispose of similar financial instruments at the same time, the Corporation may be unable to sell such financial instruments or prevent losses relating to such financial instruments. Furthermore, if the Corporation incurs substantial trading losses, the need for liquidity could rise sharply while its access to liquidity could be impaired. In addition, in conjunction with a market downturn, the Corporation's counterparties could incur losses of their own, thereby weakening their financial condition and increasing the Corporation's exposure to their credit risk.

The Corporation does not believe its current maturity profile lends itself to any material liquidity risk, taking into account the level of cash and cash equivalents, investments and marketable securities as at December 31, 2020.

As at December 31, 2020, the Corporation had working capital of $11,529,785 (2019- $4,984,080) comprised of cash and cash equivalents, other assets, net of trade and accrued liabilities and income taxes payable. Management considers the funds on hand to be sufficient to meet its ongoing obligations.

Market Risk

Market risk is the risk that the fair value of, or future cash flows from, the Corporation's financial instruments will significantly fluctuate due to changes in market prices. The value of the financial instruments can be affected by changes in interest rates, foreign exchange rates, and equity and commodity prices. The Corporation is exposed to market risk in trading its investments and unfavorable market conditions could result in dispositions of investments at less than favorable prices.

Property Title Risk

Mongolian law has strong protections for property assets; however, implementation of Mongolian law is often arbitrary, with high degrees of corruption and incompetence. Additionally, laws frequently change, which can invalidate a property title. To date, the Corporation has only had one of its property assets confiscated by the Government of Mongolia; however, the Corporation believes that there is a possibility that it will have additional assets confiscated by the Government of Mongolia or stolen by private individuals during future periods. The Corporation is currently not aware of any individual asset that is in imminent danger of being confiscated or stolen.

Currency Risk

The Corporation owns properties located in Mongolia and collects rental revenue in Mongolian Tögrög, and is therefore subject to foreign currency fluctuations that may impact its financial position and results. Changes in the Mongolian Tögrög, U.S. dollar and Canadian dollar foreign currency exchange rates impact the fair value of securities denominated in Mongolian Tögrög and in U.S. dollars. All of the Corporation's revenues are received in Mongolian Tögrög while approximately half of the Corporation's expenses are incurred in U.S. and Canadian Dollars. Therefore, a depreciation in the Mongolian Tögrög against the US and Canadian Dollar will reduce EBITDA. The exchange rate continues to be volatile and there is an expectation that volatility may continue for the foreseeable future.

Economic Volatility and Uncertainty

Over the past few years, economic volatility and uncertainty around the world has contributed to dramatically restricted access to capital and reduced capital markets activity for more speculative businesses. The Corporation's management believes that the Corporation has sufficient resources to carry on its business and remain a going concern.

MGG holds the majority of its assets, investments and operations in the nation of Mongolia. Mongolia is presently experiencing drastic changes in its economy. Economic volatility and uncertainty in Mongolia could result in inflation, hyperinflation, economic stagnation, political extremism, and other similarly detrimental scenarios which could materially harm the Corporation.

Preliminary growth estimates according to the National Statistics Office for 2020 was a decrease of 5.3% year-over-year, while inflation estimates were 2.3% according to Mongol Bank. Management cautions investors that official economic numbers often deviate materially from actual underlying economic conditions. Additionally, the Corporation is not able to accurately predict the ultimate impact of COVID-19 on the economy of Mongolia.

Depending on the requirements of MGG's businesses, additional funds may be required to be raised in the capital markets and there is no guarantee that sufficient funds raised will be available to complete a financing required to augment the Corporation's operations.

Risks and Uncertainties

The Corporation, as part of its operations, carries financial instruments consisting of cash and cash equivalents, investments and marketable securities, accounts receivable, and trade payables and accrued liabilities. It is Management's opinion that the Corporation is not exposed to significant credit, interest or currency risks arising from these financial instruments except as otherwise disclosed in the notes to the Consolidated Financial Statements.

Further information related to Mongolia Growth Group Ltd. and the risks and uncertainties of MGG is filed on the System for Electronic Document Analysis and Retrieval ("SEDAR") and can be reviewed at www.sedar.com.

Financial Instruments

The Corporation's financial instruments consist of cash and cash equivalents, investments and marketable securities, accounts receivable and trade and accrued payables. The Corporation is subject to interest risk as it earns interest income from its cash deposits. It is Management's opinion that the Corporation is not exposed to significant credit risks arising from these financial instruments and that the fair value of these financial instruments approximates their carrying values. Management believes that there are material currency risks associated to certain Financial Instruments of the Corporation as they are held in Mongolian Tögrög. For further discussion of financial instrument risks, see the Insurance and Financial Risk Management note (Note 15 on December 31, 2020 Financial Statements).

Unless the context otherwise requires, references to the "Corporation" include the Corporation and its subsidiaries and affiliates collectively, including Mongolia (Barbados) Corp.

Changes in Investment Strategies

The Corporation may alter its investment strategies and restrictions without prior approval by shareholders to adapt to changing circumstances.

Possible Negative Impact of Regulation

The regulatory environment is evolving and changes to it may adversely affect the Corporation. To the extent that regulators adopt practices of regulatory oversight that create additional compliance, transaction, disclosure or other costs for the Corporation, returns of the Corporation may be negatively affected. In addition, the regulatory or tax environment for securities, derivatives and related instruments is evolving and may be subject to modification by government or judicial action that may adversely affect the value of the investments held by the Corporation. The effect of any future regulatory or tax change on the Corporation is impossible to predict.

Property Specific Risk

The Corporation currently has a standing agreement with the owner of a 42 sq. meter apartment which has been included in one of the Corporation's properties classified as land and development. The agreement entitles the owner of the apartment to 84 sq. meters of space on the first floor of a new building to be built on this land. In this agreement, the Corporation had an obligation to complete the construction of a new building by the end of 2017 and the agreement was not extended. A liability of $223,693 (2019 - $131,438) is currently included in the Corporation's balance sheet to reflect this liability. In addition, the Corporation has recognized a $1,108,907 (2019 - $1,436,256) unrealized fair value loss on this property in excess of the fair value adjustment calculated using the valuation approaches described. This adjustment is Management's estimate of the market's perception of the risk related to this agreement. While the Corporation has received legal advice that it is not at a substantial risk of losing the property in question, interpretations of Mongolian law can be varied and arbitrary. The Corporation cautions investors that should it lose this property, it would result in a material reduction in the Corporation's overall assets and fair value (3.3 million dollars current carrying value). In addition, there is the potential that the 84 sq. meter liability could inhibit the sale or development of this asset in future periods.

PFIC Risk

The Corporation has not undertaken an analysis to determine if it is a Passive Foreign Income Company (PFIC) under United States tax statutes, nor does it intend to. US shareholders are advised to consult with tax professionals to determine the risks and potential penalties that could be applicable if the Corporate is determined to be a PFIC at a later date.

Use of Derivatives

The Corporation may use derivative instruments. The use of derivatives in general presents additional risks to those applicable to trading only in the underlying assets. To the extent of the Corporation's investment in derivatives it may take a credit risk with respect to parties with whom it trades and may also bear the risk of settlement default. When used for hedging purposes, an imperfect or variable degree of correlation between price movements of the derivative instrument and the underlying investment sought to be hedged may prevent the Corporation from achieving the intended hedge effect or expose the Corporation to the risk of loss. In addition, derivative instruments may not be liquid at all times, so that in volatile markets the Corporation may not be able to close out a position without incurring a loss. No assurance can be given that short sales, hedging, leverage and other techniques and strategies utilized by the Corporation to hedge its exposure will not result in material losses.

Custody Risk and Broker or Dealer Insolvency

The Corporation does not control the custodianship of all of its assets. The Corporation's assets will be held in one or more accounts maintained for the Corporation by its broker or brokers. Such brokers are subject to various laws and regulations in various jurisdictions that are designed to protect their customers in the event of their insolvency. However, the practical effect of these laws and their application to the Corporation's assets are subject to substantial limitations and uncertainties. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a broker or any sub-custodians, agents or affiliates, it is impossible to generalize about the effect of their insolvency on the Corporation and its assets. Investors should assume that the insolvency of any of the brokers or such other service providers would result in the loss of all or a substantial portion of the Corporation's assets held by or through such brokers and/or the delay in the payment of withdrawal proceeds.

Investment and Trading Risks in General

All trades made by the Corporation risk the loss of capital. The Corporation may utilize trading techniques or instruments, which can, in certain circumstances, maximize the adverse impact to which a client's account may be subject. No guarantee or representation is made that the Corporation's investment program will be successful, and investment results may vary substantially over time. Many unforeseeable events, including actions by various government agencies, and domestic and international economic and political developments may cause sharp market fluctuations which could adversely affect the Corporation's portfolio and performance.

General Economic and Market Conditions

The success of the Corporation's activities may be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, and national and international political circumstances. These factors may affect the level and volatility of securities prices and the liquidity of the Corporation's investments. Unexpected volatility or illiquidity could impair the Corporation's profitability or result in losses.

Issuer–Specific Changes

The value of an individual security or particular type of security can be more volatile than, and can perform differently from the market as a whole.

Portfolio Turnover

The Corporation has not placed any limits on the rate of portfolio turnover and portfolio securities may be sold without regard to the time they have been held when, in the opinion of the Corporation, investment considerations warrant such action. A high rate of portfolio turnover involves correspondingly greater expenses than a lower rate.

Liquidity of Underlying Investments

Some of the securities in which the Corporation may invest may be thinly traded. There are no restrictions on the investment of the Corporation in illiquid securities. It is possible that the Corporation may not be able to sell or repurchase significant portions of such positions without facing substantially adverse prices. If the Corporation is required to transact in such securities before its intended investment horizon, the performance of the Corporation could suffer.

Highly Volatile Markets

The prices of financial instruments in which the Corporation's assets may be invested can be highly volatile and may be influenced by, among other things, specific corporate developments, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. The Corporation is subject to the risk of the failure of any of the exchanges on which the Corporation's positions trade or of their clearinghouses.

Emerging Markets

The Corporation may invest in the securities of companies which operate in some emerging markets. Operating in emerging markets involves additional risks because companies in emerging markets may be less regulated and not subject to the same standards, reporting practices and disclosure requirements that apply in more developed markets. In addition, some emerging markets and legal systems may not adequately protect investor rights.

Small- to Medium- Capitalization Companies

The Corporation may invest a portion of its assets in the securities of companies with small- to medium-sized market capitalizations. While the Corporation believes these investments often provide significant potential for appreciation, those securities may involve higher risks in some respects than do investments in securities of larger companies. For example, while smaller companies generally have potential for rapid growth, they often involve higher risks because they may lack the management experience, financial resources, product diversification, and competitive strength of larger companies. In addition, in many instances, the frequency and volume of their trading may be substantially less than is typical of larger companies. As a result, the securities of smaller companies may be subject to wider price fluctuations. When making large sales, the Corporation may have to sell portfolio holdings at discounts from quoted prices or may have to make a series of small sales over an extended period of time due to the trading volume of smaller Corporation securities.

Fixed Income Securities

The Corporation may occasionally invest in bonds or other fixed income securities of issuers, including, without limitation, bonds, notes and debentures issued by corporations. Fixed income securities pay fixed, variable or floating rates of interest. The value of fixed income securities in which the Corporation invests will change in response to fluctuations in interest rates. In addition, the value of certain fixed-income securities can fluctuate in response to perceptions of credit worthiness, political stability or soundness of economic policies. Fixed income securities are subject to the risk of the issuer's inability to meet principal and interest payments on its obligations (i.e., credit risk) and are subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (i.e., market risk). If fixed income investments are not held to maturity, the Corporation may suffer a loss at the time of sale of such securities.

Equity Securities

To the extent that the Corporation holds equity portfolio investments, or short positions in equities, it will be influenced by stock market conditions in those jurisdictions where the securities held by the Corporation, are listed for trading and by changes in the circumstances of the issuers whose securities are held by the Corporation.

Options

Selling call and put options is a highly specialized activity and entails greater than ordinary investment risk. The risk of loss when purchasing an option is limited to the amount of the purchase price of the option, however investment in an option may be subject to greater fluctuation than an investment in the underlying security. In the case of the sale of an uncovered option there can be potential for an unlimited loss. To some extent this risk may be hedged by the purchase or sale of the underlying security.

Shorting

Selling a security short ("shorting") involves borrowing a security from an existing holder and selling the security in the market with a promise to return it at a later date. Should the security increase in value during the shorting period, losses will incur to the Corporation. There is in theory no upper limit to how high the price of a security may go. Another risk involved in shorting is the loss of a borrow, a situation where the lender of the security requests its return. In cases like this, the Corporation, must either find securities to replace those borrowed or step into the market and repurchase the securities. Depending on the liquidity of the security shorted, if there are insufficient securities available at current market prices, the Corporation, may have to bid up the price of the security in order to cover the short position, resulting in losses to the Corporation.

Trading Costs

The Corporation may engage in a high rate of trading activity resulting in correspondingly high costs being borne by the Corporation.

Currency and Exchange Rate Risks

The Corporation's assets will be denominated in multiple currencies. The Corporation will report their results in Canadian dollars. The Corporation expects to report allocations of profit and loss for income tax purposes in Canadian dollars. Changes in currency exchange rates may affect the value of the Corporation's portfolio and the unrealized appreciation or depreciation of investments.

Leverage

The Corporation may use financial leverage by borrowing funds against the assets of the Corporation. Leverage increases both the possibilities for profit and the risk of loss for the Corporation. From time to time, the credit markets are subject to periods in which there is a severe contraction of both liquidity and available leverage. The combination of these two factors can result in leveraged strategies being required to sell positions typically at highly disadvantageous prices in order to meet margin requirements, contributing to a general decline in a wide range of different securities. Illiquidity can be particularly damaging to leveraged strategies because of the essentially discretionary ability of dealers to raise margin requirements, requiring leveraged strategy to attempt to sell positions to comply with such requirements at a time when there are effectively no buyers in the market at all or at any but highly distressed prices. These market conditions have in the past resulted in major losses. Such conditions, although unpredictable, can be expected to recur.

Future Acquisitions and Business Diversification

Management is currently evaluating future acquisitions of businesses and operating assets that are not related to investments within Mongolia. There can be no certainty that the Corporation will acquire any business. Additionally, if the Corporation acquires part or all of a business outside of Mongolia, it may dilute management's focus on current operations within Mongolia. Additionally, shareholders who desire a Mongolia focused investment vehicle may sell shares of the

Corporation if they do not desire investments outside of Mongolia. There can be no certainty that the Corporation can raise adequate funding to finance an acquisition of a business outside of Mongolia or that diversification of the Corporation's business is in the best interest of the Corporation. Capital spent on researching businesses outside of Mongolia will increase operating expenses and operating losses as long as such due diligence is ongoing.

Internal Controls over Financial Reporting

Changes in securities laws no longer require the Chief Executive Officer and Chief Financial Officer of junior reporting issuers to certify that they have designed internal control over financial reporting, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Instead, an optional form of certification has been made available to junior reporting issuers and has been used by the Corporation's certifying officers since December 31, 2013 annual filings. The new certification reflects what the Corporation considers to be a more appropriate level of CEO and CFO certification given the size and nature of the Corporation's operations. This certification requires the certifying officers to state that: they have reviewed the interim MD&A and consolidated financial statements; they have determined that there is no untrue statement of a material fact, or any omission of material fact required to be stated which would make a statement or its omission misleading in light of the circumstances under which it was made within the interim MD&A and consolidated financial statements; based on their knowledge, the interim filings, together with the other financial information included in the interim filings, fairly present in all material respects the financial condition, results of operations and cash flows of the Corporation as of the date and for the periods presented in the filings.

Additional Information

Additional information relating to Mongolia Growth Group Ltd., including its interim financial statements, is available on SEDAR at www.sedar.com.