MONGOLIA GROWTH GROUP LTD.

MANAGEMENT DISCUSSION & ANALYSIS

December 31st 2015

Contents

MONGOLIA GROWTH GROUP LTD.

Management Discussion & Analysis

December 31, 2015

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, 2015 (the "MD&A"), compared with the year ended December 31, 2014. 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 19, 2016 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, 2015 and December 31, 2014 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. The Corporation refers to "funds used in operations", "operating losses" and "re-valuation of investment properties" within this analysis. "Funds used in operations" is computed by calculating the cash flow from operations before changes to non-cash working capital from operations. "Operating Profits" is computed by calculating the profit before tax and any fair value adjustments. The Corporation also refers to Funds from Operations ("FFO") and Adjusted Funds from Operations ("AFFO"). "FFO" is not defined under IFRS. The Corporation calculates FFO in accordance with the Real Property Association of Canada ("REALpac ") White Paper on Funds from Operations issued April 2014. FFO is defined by the Corporation as net income (loss) and comprehensive income (loss) calculated in accordance with IFRS, excluding: (i) Unrealized change in fair value of investment properties (ii) depreciation and amortization of investment properties; (iii) gains (or losses) from sales of investment properties and equipment; (iv) tax on gains or losses of sale on investment properties (v) deferred income tax (expense) recovery; (vi) impairment/losses on all real estate assets (vii) Gains or losses on PPE properties (viii) share based payments. "AFFO" is not defined under IFRS and may not be comparable to AFFO used by other issuers. The Corporation has defined AFFO as FFO subject to certain adjustments, including: development expenses not capitalized, large one-time expenses and other adjustments as determined by Management.

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, CEO Message to Shareholders and Executive Strategy sections of this MD&A.

Section 1 – Overview

Financial and Operational Overview

During 2015, the Corporation continued to suffer from negative cash flow as a result of inadequate scale and insufficient revenues accentuated by an accelerating decline in market rental rates. On the positive side, the Corporation was able to dramatically reduce expenses in order to offset the decline in revenues. As a result of reduced expenses and increased efficiency, AFFO improved from negative $4,127,427 in 2014 to negative $342,866 in 2015, representing a dramatic improvement over prior years.

The Corporation maintained high occupancy rates during the year, even amidst a slowdown in the local economy and higher vacancy rates across the country. The Corporation's occupancy rates continue to be strong with a weighted average occupancy rate of 87.4% at the end of the year.

On the expense side, overall expenses decreased from $7,543,135 in 2014 to $3,954,927 in 2015 due to the successful cost cutting initiatives undertaken throughout the year.

The Corporation had an unrealized fair value adjustment loss at the end of the year of $7,926,701 versus a fair value adjustment gain of $10,683,896 during the prior year.

This significant fair value loss propelled the Corporation to net loss from Continuing Operations of $9,930,970 or a loss of $0.28 per share (EPS) versus a gain of $4,151,782 or $0.12 (EPS) in 2014.

Throughout the year, the Corporation continued to dispose of non-core assets to streamline the portfolio and dispose of smaller and underperforming assets. Proceeds from sales were used for working capital and reinvested in advancing the Corporation's Tuguldur asset. During the year, the Corporation disposed a total of ten properties (2014 – 25) at a net loss of $116,182 (2014 - $56,105 gain). As of December 31, 2015, the Corporation had four investment properties (2014 – 6) classified as available for sale.

The Mongolian Tögrög appreciated throughout the year versus the Canadian dollar, appreciating from 1,624 MNT/CAD on December 31, 2014, to 1,438 MNT/CAD over the course of 2015; an increase of 11.4%. This appreciation served to reduce the Corporation's negative AFFO and make the decline in property values appear less severe due to the smaller decline in Canadian dollar terms.

Economic Overview

During recent years, the Mongolian real estate sector has benefitted from significant local economic growth. The majority of this recent growth is attributable to the mining and construction booms taking place in Mongolia, mainly resulting from the opening of the Oyu Tolgoi and Tavan Tolgoi deposits located in the Gobi desert. The associated infrastructure requirements for these projects have also served to strengthen the local economy. In addition, an increase in other industries, particularly tourism and agriculture have helped to grow the economy. The positive impact of improving consumer and business confidence has led to a substantial increase in the gross production of the local economy.

During 2015, the Mongolian economy witnessed a decrease in its growth rate, with this decline accelerating in the second half of the year. This slow-down has been caused by reduced prices for commodities, political uncertainty, the arrest of certain foreign executives, a decrease in bank lending, along with doubt over the timing of the continuation of the Oyu Tolgoi underground development. These factors have led to a substantial decline in foreign direct investment (FDI) which has reduced the rate of growth of the economy.

The Mongolian economy was negatively impacted by the global commodity market downturn. The National Statistics Office of Mongolia ("NSO") estimates full year 2015 growth was 2.3%, down from 7.8% in 2014.

The Mongolian Tögrög has fluctuated significantly over the past three years. In 2013, the average exchange rate between the Tögrög and the Canadian Dollar was approximately 1,360 MNT/CAD for the year, whereas during 2014, the Tögrög reached a low of over 1,728 Tögrög per Canadian Dollar and averaged 1,637 per Canadian Dollar, while in 2015, the Tögrög bounced back to an average rate of 1,540 per Canadian dollar finishing the year at 1,438 per Canadian dollar. Management would like to note that in general, most commercial property transactions in Ulaanbaatar are negotiated in US Dollars.

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

Property Overview

The general property market continues to be influenced by the overall Mongolian economy. With the accelerating decline in the Mongolian economy, there has been a noticeable increase in vacancy, particularly in office and residential space. In the downtown core, this has led to a substantial decline in pricing for both rental rates and sales for those two asset classes. High street retail has seen less of an increase in supply, and demand for space remains adequate although lease rates have declined noticeably during the second half of the year. While most data is anecdotal, office rental prices in the downtown core have declined by more than half, while retail lease rates have declined by approximately a third in Mongolian Tögrög terms over the past 12-18 months.

Outside of the downtown of Ulaanbaatar, a noticeable increase in building activity has saturated most markets and led to a more substantial decline in prices. In addition, there has been a recent increase in office and residential construction activity that will likely lead to future saturation in those markets. Finally, there has been a noticeable increase in the number distressed property owners, including banks that are experiencing a rapidly increasing number of bad debts and foreclosures. It is likely that these individuals will be forced to liquidate their property assets, potentially at prices that are substantially below current market prices. Management cautions shareholders that property prices have historically been, and continue to be, volatile.

Management expects a continued high demand for well-located retail space, with a lower demand level for office space. However, MGG continues to have below market rates of vacancy in all asset classes and believes that it is substantially outperforming the overall market in terms of occupancy.

MGG has seen an increase in bad debt and late payment of rent over the past year. Additionally, a large number of tenants are asking to have their rents reduced due to the economic crisis. MGG proactively evaluates tenants based on past rental history before changing the terms of rental contracts.

If the economy continues to deteriorate, it is expected that market rental rates will continue to decline. Additionally, overall rental revenue is expected to decline as existing leases are re-signed at current market rates that are often substantially lower than the rates that existed when contracts were previously signed. In many cases, it is expected that upon signing new leases, rents will continue to drop considerably.

Section 2 - Executing the Strategy

Core Business

During the past five 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 and development, through disposition and includes dedicated departments that manage maintenance, leasing, marketing and tenant management. Management believes it has a strong team in place to lead the Corporation into its next phase of growth.

MGG's real estate subsidiary plans on further expansion via the investment of additional capital into income producing and redevelopment properties in Ulaanbaatar. The Corporation's plan is contingent on procuring further funds for investment and on finding suitable investment targets which meet MGG's stringent investment criteria. In addition, due to MGG's unique platform, the Corporation is adding 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 more actively target this brokerage opportunity once its website is renewed and relaunched.

Since inception, MGG has acquired a number of redevelopment properties. To date the Corporation has also remodeled, rebuilt and completed additions on properties. During 2015, the Corporation spent substantial resources on redeveloping its Tuguldur retail center property; however these redevelopment efforts have been recently put on hold due to a slowing economy and uncertainty regarding the ability to lease added space due to the rapidly increasing vacancy level in the city. The Corporation did complete a 334 meter extension to Tuguldur during early 2016 and a lease was signed with a well-respected Mongolian tenant in early 2016. It is expected that this tenant will begin to pay rent on June 1st of 2016. Due to the project going over budget and the sizable decline in market rents from when the project began, until a lease was signed, this development project did not hit internal return targets, further validating the Corporation's decision to cease all further development spending.

Given the current economic situation, the Corporation is focused on finding additional opportunities to reduce costs and reduce the Corporation's cash burn. In addition, the Corporation is looking to sell additional properties in order to have sufficient liquidity to get through the downturn.

Portfolio

Mongolia Growth Group's properties are located in 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/Prepaid Deposits.

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 expenditures. 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, 2015;

	2015			2014		
	# of Properties	Value at 31-Dec-15 $CAD	Meters	# of Properties	Value at 31-Dec-14 $CAD	Meters
Residential	1	285,170	-	2	357,160	-
Office	3	4,649,657	2,650	3	5,039,196	2,650
Retail	26	25,842,765	8,532	35	27,645,411	9,497
Land and Redevelopment	4	15,696,158	7,058	4	15,416,750	7,058
Total	**34**	**46,473,750**	**18,240**	**44**	**48,458,517**	**19,205**

Overall, the investment portfolio performed substantially better than similar properties in Ulaanbaatar, with the exception of Tuguldur which has continued to struggle with high turnover and vacancy. The Corporation believes that this is a result of mistakes made during the initial lease-up phase, compounded by the fact that many long-term leases were signed at below-market rents. This asset has now stabilized at average weekly occupancy rates of between 70% and 80% and correcting these mistakes continues to be a focus of management.

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, 2015;

	2015			2014		
	# of Properties	Value at 31-Dec-15 $CAD	Meters	# of Properties	Value at 31-Dec-14 $CAD	Meters
Residential	1	99,316	-	2	139,536	-
Office	1	2,665,989	1,300	1	2,627,015	1,300
Retail	-	-	-	-	-	-
Land and Redevelopment	-	-	-	-	-	-
Total	**2**	**2,765,305**	**1,300**	**3**	**2,766,551**	**1,300**

Other Assets/ Prepaid Deposits

Investment property purchases where the Corporation has paid either the full or partial purchase proceeds to the seller, but the Corporation has not yet received the official land or building title from the Mongolian Property office, are recorded at cost as Prepaid Deposits on Investment Properties and classified within other assets.

The following table represents properties classified as Prepaid Deposits on Investment Properties, as of December 31, 2015;

	2015			2014		
	# of Properties	Value at 31-Dec-15 $CAD	Meters	# of Properties	Value at 31-Dec-14 $CAD	Meters
Residential	-	-	-	-	-	-
Office	-	-	-	-	-	-
Retail	-	-	-	1	729,497	184
Land and Redevelopment	1*	69,727	28	1	69,392	28
Total	**1**	**69,727**	**28**	**2**	**798,889**	**212**

* This land asset is part of one of the land packages outlined in the Investment Properties section and is not a standalone land package.

Occupancy Rates

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

	31 –Dec- 2015	31 –Dec- 2014
	Occupancy Rate*	Occupancy Rate*
Office	91.7%	98.2%
Retail	84.4%	91.2%
Weighted Average**	**87.4%**	**94.2%**

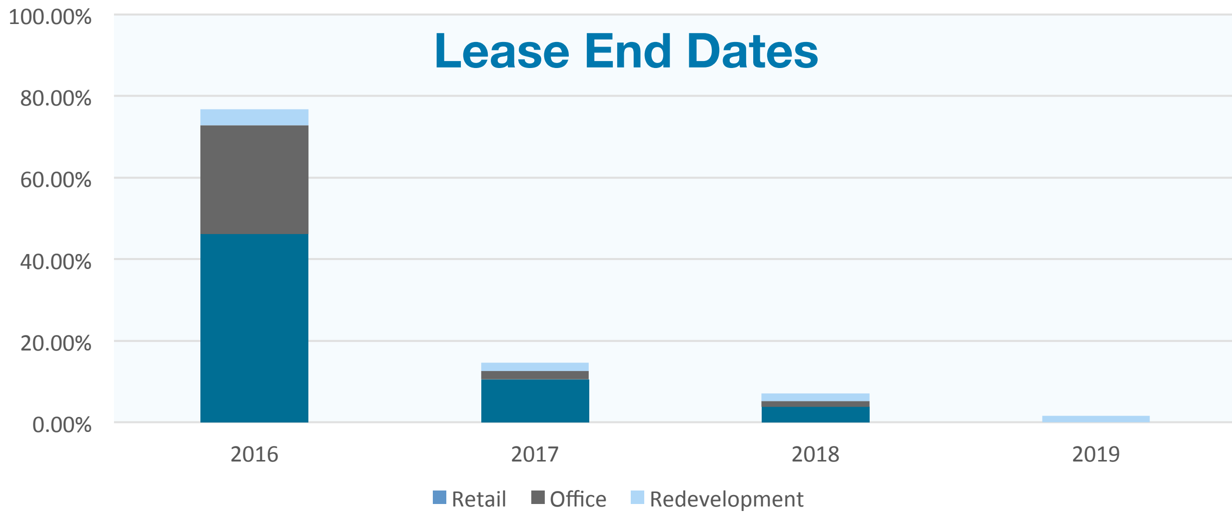
* Occupancy rates are calculated on a per meter basis;
** Weighted Average is calculated based on total meters available for lease

Demand for retail space has remained strong, despite a difficult economy. Prior to year end, the Corporation lost a significant tenant occupying 375 meters of retail space. Furthermore, the Corporation received the title to another large retail space, consisting of 379 square meters, that was previously tied up in litigation between the former owner and tenant. Both of these space has since been leased. Occupancy levels for the Corporation's Office space have been strong even while vacancy levels throughout the city have increased significantly throughout the year as additional supply entered the market. Management attributes its success due to increased marketing initiatives and realistic price expectations.

The Corporation would like to caution shareholders that it is experiencing abnormally high levels of tenant turnover and occupancy levels fluctuate dramatically between months as tenants break leases. It is expected that turnover will increase as the economy continues to decline and it is uncertain if the Corporation will be able to continue to find new tenants due to the weak economy.

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 the 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.



The weighted average remaining lease term decreased significantly to 10.4 months in December 2015 from 17.2 months in December 31st 2014, calculated as a percentage of monthly revenues.

It is Management's belief that most existing leases are at rates that are above current prevailing market rates. With the current economic conditions, many companies are suffering which is reflected by lower market rental rates in aggregate. It is expected that the Corporation's rental revenue may decline as leases are renewed at current market rates. Offsetting this fact, many of the Corporation's prior leases were signed at rates that did not reflect peak market rates.

Most Recent Retail 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	December 2015	246	26,785	25,000	-6.6%
Office Lease	December 2015	110	25,000	25,000	0.0%
Retail Lease	December 2015	206	35,000	32,085	-8.3%
Retail Lease	November 2015	40	46,758	32,710	-30.0%
Office Lease	October 2015	62	30,083	27,906	-7.2%

Section 3 – Results of Operation

Selected Annual Financial Information (CAD)

	Year ended 31-Dec- 2015	Year ended 31-Dec- 2014	Year ended 31-Dec- 2013 (Restated) *
Total Revenue	1,947,508	1,918,916	1,727,373
Income			
Income/ (loss) from continuing operations attributable to equity holders of the Corporation	(9,930,970)	4,151,782	(250,574)
Net Income/ (loss) attributable to equity holders of the Corporation	(9,930,970)	4,151,782	(155,563)
Comprehensive income/ (loss) attributable to equity holders of the Corporation	(3,459,196)	2,631,084	(3,713,297)
Basic earnings per share ("EPS") (in CAD)			
Earnings/ (loss) from continuing operations	(0.28)	0.12	(0.01)
Earnings/ (loss) from discontinued operations	0	0	0
Net income/ (loss)	(0.28)	0.12	(0.01)
Diluted EPS (in CAD)			
Earnings/ (loss) from continuing operations	(0.28)	0.12	(0.01)
Earnings/ (loss) from discontinued operations	0	0	0
Net Income/ (loss)	(0.28)	0.12	(0.01)
Balance Sheet			
Total Assets	50,815,170	54,106,591	47,291,018
Total liabilities	1,840,825	3,176,142	1,968,460
Total Equity	48,974,345	50,930,449	45,322,558
Shares Outstanding at year end	35,512,829	34,848,745	34,303,352
Book Value per share	1.38	1.46	1.32

*Excludes operations of Mandal Insurance previously included in Continuing Operations. Mandal Insurance was disposed of on December 20, 2013.

Revenue from Investment Properties

For the year end December 31, 2015, Rental revenue from Investment Properties reached $2,002,512 versus $1,822,392 in the prior year. This increase was primarily attributable to the addition of a full year of revenue from Tulguldur along with the depreciation of the Canadian Dollar as compared to the Mongolia Tögrög.

Gain/loss on sale of Investment Properties

For the year end December 31, 2015, the Corporation reported a net loss of $116,182 on the sale of ten investment properties versus a net gain of $56,105 in the prior year on the sale of 25 properties.

Revenue from Other Sources

Revenue from other sources consists of late fees and other income. For the year ending December 31, 2015, revenues from other sources totaled $61,178 compared to $40,419 for the year ending December 31, 2014. Revenues increased due to higher late payments and penalty income collected throughout the year.

Fair Value Adjustment on Investment Properties

As elected under IFRS, the Corporation's investment portfolio is subsequently measured at fair value in the Corporation's financial statements. As of December 31, 2015, the Corporation had approximately

86% of its Investment Properties Portfolio valued by an international valuation firm and the remaining 14% (19 properties) were valued by Management. For the year ended December 31, 2015, the fair value adjustment to investment properties was a loss of $7,926,701 compared to a gain of $10,683,896 for the same period in 2014.

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, 2015 the property operating expenses were $1,576,751 compared to $1,556,367 during the same period in 2014, representing an increase of approximately 1%. This increase was primarily due to the addition of Tulguldur.

Corporate Expenses

Corporate expenses include senior management's compensation, share-based costs, listing fees, professional fees, technology, travel and administrative costs.

For the year ending December 31, 2015 general and administration expenses decreased to $1,291,511 from $4,635,599 in 2014. This decrease since the previous year is attributed to the cost cutting initiatives implemented throughout the year.

One-Time Expenses

During 2015, the Corporation did not incur any significant one-time expenses. In comparison, during 2014, the Corporation incurred one–time expenses of $1,983,396 including; severance to the Corporation's former CEO of $870,540, accrued a commission payment of $487,522 to a senior employee of the Corporation for several large acquisitions, a discount of $402,339 given to UMC against the sale of Mandal Insurance and $222,995 spent on legal and professional fees to file a base shelf prospectus.

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. 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 7 in the financial statements disclose the foreign exchange adjustment, which flows through the investment property classification during each period. As at December 31, 2015 the Corporation recognized a significant foreign exchange adjustment gain of $6,471,774 to its investment property portfolio due to the 11.4% appreciation of the local currency during the year.

Operating Profit (Loss) from Continuing Operations

In total the Corporation's continuing operations reported an Operating loss or an Adjusted EBITDA loss $2,089,560 during 2015 (2014 – loss of $5,900,540). The Improvement in EBITDA since last year is due to the cost saving initiatives implemented during the year.

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

	2015 $CAD	2014 $CAD
Net Income before Income taxes	(10,123,298)	4,473,714
Add Depreciation and Amortization	137,608	126,018
Subtract Interest and Investment (Income) / Finance Expense	(30,571)	183,624
EBITDA	**(10,016,261)**	**4,783,356**
Subtract Fair Value Adjustment Gain (Add back loss)	7,926,701	(10,683,896)
Total Adjusted EBITDA	**(2,089,560)**	**(5,900,540)**

Funds From Operations ("FFO")

While FFO does not have a standardized meaning prescribed by IFRS, it is a non-IFRS financial measure of operating performance widely used by the real estate industry. The Real Property Association of Canada (REALpac) recommends that FFO be determined by reconciling FFO from net income.

During 2015, negative FFO improved from a loss of $4,127,427 in 2014 to a loss of $517,295 in 2015. The improvement is primary due to a reduction in expenses due to cost cutting measures initiated since the beginning of the year.

Adjusted Funds From Operations ("AFFO")

Since FFO does not consider capital expenditures and other one-time expenses. AFFO is presented herein as an alternative measure of determining available cash flow. AFFO is not defined by IFRS but the Corporation follows recommendations by REALpac. During 2015, the Company's AFFO numbers improved considerably from $4,127,427 to $342,866.

It should be noted that FFO and AFFO include certain one-time costs related to the Corporation's cost cutting plan that were not sufficiently large enough to be broken out, but their exclusion would have further reduced the Corporation's AFFO loss for the year.

Reconciliation of FFO and AFFO

The analysis below shows a reconciliation of the Corporation's net income to FFO and AFFO for the year ended December 31, 2015

	Year ended 31-December 2015 $CAD	Year ended 31-December 2014 $CAD
Net Income for the period	**(9,930,970)**	**4,151,782**
Add (deduct) items not affecting cash		
Unrealized Change in fair value of investment properties	7,926,701	(10,683,896)
Depreciation and amortization of investment Properties	137,608	126,018
Loss (gain) from sales of investment properties	116,182	(56,105)
Tax on sales on investment property	35,710	84,507
Deferred Taxes	(109,032)	9,024
Impairment/losses on all real estate assets	-	-
Impairment of other assets	-	402,339
Loss (gain) on PP&E properties	219,749	-
Share Based Payments	977,725	1,838,904
Funds From Operations	**(517,295)**	**(4,127,427)**
Add (deduct)		
Development costs not capitalized	174,429	-
Significant one-time expenses	-	-
Adjusted Funds From Operations	**(342,866)**	**(4,127,427)**
Per Unit – Basic		
Funds From Operations	(0.01)	(0.12)
Adjusted Funds From Operations	(0.01)	(0.12)
Per Unit – Diluted		
Funds From Operations	(0.00)	(0.02)
Adjusted Funds From Operations	(0.00)	(0.02)

Net Income

For the year ended December 31, 2015, the Corporation incurred a net loss of 9,930,970, compared to a net gain of $4,151,782 for the year ended December 31, 2014. This deterioration is attributed to the substantial unrealized loss on fair value adjustment on investment properties of $7,926,701 during the year versus the unrealized gain of $10,683,896 from the prior year.

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.

Section 4 - Financial Condition

Cash Flow

Mongolia Growth Group's primary sources of capital are cash generated from equity issuance 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, 2015 and 2014.

		For the year ending
	31-Dec-15	**31-Dec-14**
	$CAD	**$CAD**
Net change in cash related to:		
Operating	(1,391,362)	(2,908,159)
Investing	642,001	(1,392,747)
Financing	-	821,951
Effects of exchange rates on cash	139,212	(245,943)
Net change in cash during the period	**(610,149)**	**(3,724,898)**

Overall, cash outflows during 2015 were significantly lower than the previous year with net outflows from operations much lower than net operating outflows in 2014. Cash flows from Investing were inflows of $642,001 for the year compared to outflows of $1,392,747 in 2014 as funds from property sales outweighed funds spent on property acquisitions. Cash flows from Financing were unchanged during the year compared to inflows of $821,951 during 2014. The changes in components of cash flows for the year ended December 31, 2015 compared to the year ended December 31, 2014 were the result of the following factors:

- **Operating**–Operating cash outflows for the year ended 2015 decreased primarily due to a significant decrease in large one-time expenses as well as an overall reduction in expenses.
- **Investing**– Investing cash inflows for the year ended 2015 increased due to property sales outweighing property acquisitions for the year.
- **Financing**– Financing cash inflows for the year ended 2015 were nil compared to cash inflows of $821,951 in 2014 as the Corporation generated increased cash through the exercise of options.

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, 2015, the Corporation had approximately $1,035,272 (2014 - $1,645,421) in cash and cash equivalents.

Total Assets

As of December 31, 2015, the Corporation had $1,363,271 (2014 - $2,673,124) in Current Assets out of which $1,035,272 (2014 - $1,645,421) was held in cash and cash equivalents.

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 during the year to $46,473,749 (2014 -$48,458,517) the year by way of a dispositions and a large unrealized loss on fair value adjustment offset by an increase in the Mongolian Tögrög versus the Canadian dollar during the year.

Property and Equipment, which primarily consists of properties that are measured at their cost base, increased from $2,974,950 in 2014 to $2,978,150 in 2015 primarily due to a decrease in the Canadian dollar versus the Mongolian Tögrög.

Total Liabilities

As of December 31, 2015, the Corporation had current liabilities of $850,716 consisting of payables and accrued liabilities. In December 31, 2014, current liabilities were significantly higher at of $2,077,001. The decrease is due to the settlement of the Corporation's outstanding liabilities over the course of the year.

As of December 31, 2015, the Corporation had no long term debt outstanding, as such the only non-current liability on the balance sheet is deferred income taxes. Deferred tax liabilities decreased slightly during the year to $990,109 in 2015 (2014 - $1,099,141).

Total Equity

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

Outstanding	As at 31-Dec-2015	As at 31-Dec-2014
Common shares	35,512,829	34,848,745
Options to buy common shares	3,288,000	2,448,000

Options Outstanding

At December 31, 2015, the Corporation had 2,510,500 options that were exercisable (December 31, 2014; 1,385,000).

The Chart below shows the historical option grants and options outstanding as of December 31, 2015.

$ Option Price	Granted	Forfeited	Cancelled	Exercised	Total Options Outstanding	Options Exercisable	Options Non-Exercisable
1.64	100,000	0	0	100,000	0	0	0
1.75	300,000	0	50,000	250,000	0	0	0
1.90	1,363,000	85,000	0	200,000	1,078,000	492,500	585,500
4.20	900,000	408,000	362,000	0	130,000	130,000	0
4.77	175,000	100,000	55,000	0	20,000	20,000	0
4.25	150,000	50,000	95,000	0	5,000	3,750	1,250
4.00	190,000	0	190,000	0	0	0	0
4.13	475,000	75,000	275,000	0	125,000	125,000	0
1.09	375,000	0	0	0	375,000	375,000	0
0.72	935,000	20,000	0	0	915,000	467,500	447,500
0.74	640,000	0	0	0	640,000	640,000	0
Total	**5,603,000**	**738,000**	**1,027,000**	**550,000**	**3,288,000**	**2,510,500**	**777,500**

Acquisitions and Dispositions

During the year, the Corporation did not acquire any properties (2 properties at a cost of $9,099,706 in 2014). The Corporation spent $832,245 to further develop one of its existing properties versus capital expenditures of $1,435,909 spent in 2014. During the year, the Corporation disposed of 10 investment properties for cash proceeds of $1,669,455 at a net loss of $116,182. During 2014, the Corporation disposed of 25 properties for $5,432,386 including 5 properties swapped at a value of $2,981,944. These acquisitions and disposals are consistent with the Corporation's strategy of streamlining its investment property portfolio.

Off-Balance Sheet Items

As of December 31, 2015, the Corporation had no off-balance sheet items.

Events Subsequent to Year End

- Subsequent to year end, the Corporation disposed of one property for $229,743 with a book value at year end of $261,521
- As disclosed in the Corporation's February 17, 2016 News Release, on February 11, 2016, the Corporation filed a Form 5C "Notice of Intention to make a Normal Course Corporation Bid" (the "NCIB Form"), with the TSX Venture Exchange (the "Exchange"). The Corporation received Exchange approval ("Exchange Approval") for the Normal Course Corporation Bid (the "Bid") on February 17, 2016. A summary of the information contained in the NCIB Form is as follows:

  Securities Sought: Up to 2,950,000 common shares (representing up to approximately 8.3% of the 35,512,829 common shares of the Corporation currently issued and outstanding, or approximately 9.9% of the 29,825,579 common shares constituting the Corporation's current Public Float (as that term is defined in the policies of the Exchange).

  Duration of the Bid: Purchases under the Bid would begin on the date that is three clear trading days following receipt of Exchange approval and would terminate on the date that is one year from the date on which purchases began. Following receipt of Exchange Approval, the Corporation announced that purchases under the Bid were permitted to commence on Tuesday, February 23, 2016 and the Bid will end no later than February 22, 2017.

  Method of Acquisition & Member Broker: The Corporation has retained M Partners Inc. of Toronto, Ontario as its broker Member for the purposes of conducting the Bid. Purchases under the Bid will be conducted on the open market through the facilities of the Exchange.

  Consideration Offered: The common shares will be purchased for cancellation at market price.

  Reasons for the Bid: The Corporation 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 Corporation believes that in such circumstances, the purchase of the common shares of the Corporation may represent an appropriate and desirable use of the Corporation's funds and further enhance market stability.

  Persons Acting Jointly & in Concert: No person is acting jointly and in concert with the Corporation in connection with the Bid.

  Pervious Purchases: In the 12 months preceding the commencement of the Bid, the Corporation has not purchased any of its common shares.

  Valuation: After making reasonable enquiry, the Corporation is not aware of any appraisal or valuation of the Corporation's securities that has been prepared within the two years preceding the date of the NCIB Form. In connection with the preparation of its audited financial statements for the financial year ending December 31, 2014, the Corporation engaged, an arm's length property valuator, to prepare three independent valuation reports in respect of the Corporation's Mongolian real estate investment assets. The valuations were prepared for internal accounting purposes.

  Acceptance by Insiders, Affiliates and Associates & Benefits: To the knowledge of the Corporation at the time of filing the NCIB Form, no director, senior officer or other Insider of the Corporation or any associate or affiliate of the Corporation or any insider of the Corporation currently intends to sell common shares under the 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 Corporation's common shares whose shares are purchased under the Bid.

Shareholders may obtain a copy of the NCIB Form from the Corporation, without charge, by contacting info@mongoliagrowthgroup.com

- The Corporation has purchased 18,500 shares at a price of $0.40/share

Section 5 - Quarterly Information

Quarterly Results

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

	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Revenue	526,949	340,871	501,936	577,752	316,712	424,787	542,837	634,581
Net income (loss)	(5,503,493)	(2,701,490)	(1,352,996)	(372,991)	117,251	(1,489,119)	5,033,379	812,202
Income (loss) per common share	(0.15)	(0.08)	(0.04)	(0.01)	0.00	(0.04)	0.15	0.02
Total Assets	50,815,170	54,495,461	54,790,433	55,548,676	54,106,591	55,523,885	54,965,199	49,253,675
Weighted Average Shares (No.)	35,315,357	35,248,810	35,114,612	34,848,745	34,652,992	35,800,084	34,495,983	35,823,685
Ending Shares (No.)	35,512,829	35,512,829	35,512,829	34,848,745	34,848,745	34.848,745	34,748,745	34,538,352

Revenue

During the fourth quarter, the Corporation's real estate subsidiary earned total revenue of $526,949 (Q4 2014 -$316,712) of which rental income earned was $491,837 (Q4 2014 - $457,496). The majority of this rental income increase is attributed to a larger property portfolio as well as increased occupancy levels. The quarterly revenue number also includes other revenue earned from miscellaneous sources such as late fee, advertising and from sale of investment properties. During the fourth quarter, the Corporation experienced a gain on sale of investment properties of $22,455 (2014 – loss of $140,423), which negatively affected the Corporation's revenue.

During the 4th quarter of 2015, the Corporation also incurred a large unrealized loss of $5,655,640 compared to an unrealized gain of $2,747,150 during Q4 2014.

Expenses

Quarterly expenses related to corporate operations totaled $202,022 (Q4 2014 - $2,007,286). The majority of this decrease is attributed to a $870,540 severance payment made to the Corporation's former CEO along with a commission of $487,522 accrued to a senior employee of the Corporation.

Net Income

During the quarter, the Corporation experienced a loss of $5,503,493 in comparison to a gain of $117,251 in the same quarter of the previous year. This difference is manly attributed to the significant fair value adjustments loss recorded in the fourth quarter of the year compared to a gain in the 4th quarter of 2014, offset by an decrease in expenses versus last year.

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

The estimate of fair value of investment properties is the most 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 resulting from the lack of reliable and comparable market information. At December 31, 2015, the unrealized gain on fair value adjustment was a loss of $7,926,701 (gain of $10,683,896; 2014). As of December 31, 2014, Management took the decision to write off the carrying value of one of the Corporation's land assets as the asset had been impaired and Management believed it was unlikely that it could fully recover the asset in the future. This continues to be the case as of December 31, 2015.

Accuracy of Share Based Compensation Expense

The estimate of the expense arising from share based compensation plans is another critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the share based compensation expense recorded by the Corporation. The ultimate expense is estimated by using a number of key assumptions such as the expected volatility of the share price, the dividends expected on the shares, the risk-free interest rate for the expected life of the options and future forfeiture rates. For the year ending December 31, 2015, the cost of the share based payments totaled $977,725 (2014 - $1,838,904).

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.

Assets and Liabilities Held for Sale

The Corporation makes judgments in determining whether certain non-current assets or group of assets and liabilities meet the specified criteria under IFRS for classification as held for sale. At December 31, 2015, the Corporation has identified 4 investment properties, which meet the specified criteria, and has accounted for them as assets held for sale.

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. The Corporation 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.

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 or Mongolian banks. The Corporation is in the early stages of development and is continually improving its policies in regards to monitoring its credit risk.

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.

Liquidity 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, 2015.

As at December 31, 2015, the Corporation had working capital of $512,555 (2014- $596,123) 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.

As of December 31, 2015, the Corporation does not have any material contractual obligations.

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.

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 fast growing 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.

As economic growth slowed down, one upside was much improved stability of the Tögrög. The Bank of Mongolia raised the policy rate by 1.0 percent to 13.0% in January of 2015 in an effort to curb inflation. The inflation rate started at 9.8% in January but due to weakening domestic demand decreased steadily over the year reaching 7.3% in June, 4.9% in September and finally reached 1.9% Y-o-Y in December, the lowest point since 2009.

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.

Certain members of parliament have recently asked to re-negotiate the agreement that exists between the government of Mongolia and Turquoise Hill regarding the current tax stability agreement. There can be no certainty if any changes to the agreement will be reached and how it will impact the investment climate or future GDP growth of Mongolia.

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.

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 for the December 31, 2015 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.

Recent Accounting Pronouncements

IFRS 9 – Financial Instruments introduces new requirements for classifying and measuring financial assets and financial liabilities. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 also introduced additional changes related to financial liabilities.

The IASB also recently introduced amendments to IFRS related to hedge accounting. The Standard is not applicable until annual periods beginning on or after January 1, 2015, but is available for early adoption.

In November 2013, the IASB issued three amendments affecting IFRS 9, IAS 7 and IAS 39. The first amendment sets out new hedge accounting requirements. The second amendment allows entities to apply the accounting for changes from own credit risk in isolation without applying the other requirements of IFRS 9. The third amendment removes the mandatory effective date of IFRS 9 from January 1, 2015 to a new date that will be determined when IFRS 9 is closer to completion.

Additional Information

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