

Mongolia Growth Group Ltd.

Condensed Interim Consolidated Financial
Statements (Unaudited)
For the three months ended
March 31, 2016 and 2015
(Expressed in Canadian dollars)

These interim condensed consolidated financial statements have not been audited or reviewed by the Company's independent external auditor, PricewaterhouseCoopers LLP.

Mongolia Growth Group Ltd.
Condensed Interim Consolidated Statement of Operations
(Unaudited)
For the three month period ended March 31

(expressed in Canadian dollars)

	March 31, 2016 \$	December 31, 2015 \$
Assets		
Current assets		
Cash and cash equivalents	967,564	1,035,272
Other assets	365,524	327,999
	<u>1,333,088</u>	<u>1,363,271</u>
Non-current assets		
Investment properties (note 5)	42,204,173	46,473,749
Property and equipment (note 6)	2,703,986	2,978,150
	<u>46,241,247</u>	<u>50,815,170</u>
Total assets		
Liabilities		
Current liabilities		
Trade payables and accrued liabilities	599,071	704,426
Income taxes payable	161,797	146,290
	<u>760,868</u>	<u>850,716</u>
Non-current liabilities		
Deferred income tax liability	891,645	990,109
	<u>1,652,513</u>	<u>1,840,825</u>
Total liabilities		
Equity (note 7)		
Share capital	54,361,932	54,369,332
Contributed surplus	6,890,787	6,738,875
Accumulated other comprehensive loss	(5,390,016)	(1,135,265)
Deficit	(11,273,969)	(10,998,597)
	<u>44,588,734</u>	<u>48,974,345</u>
Total equity		
Total equity and liabilities		
	<u>46,241,247</u>	<u>50,815,170</u>

Approved by the Board of Directors

“Robert Scott” Director _____ “Harris Kupperman” Director

Mongolia Growth Group Ltd.

Condensed Interim Consolidated Statement of Operations

(Unaudited)

For the three month period ended March 31

(expressed in Canadian dollars)

	March 31, 2016 \$	March 31, 2015 \$
Revenue		
Rental income	490,442	538,249
Other revenue	10,070	25,020
Gain (loss) on disposal of investment property	(10,352)	14,483
Total revenue	<u>490,160</u>	<u>577,752</u>
Expenses		
Salaries and wages	261,928	276,508
Other expenses (note 12)	342,029	523,273
Share based payment	151,912	169,261
Depreciation	17,593	30,951
Total expenses	<u>773,462</u>	<u>999,993</u>
Net Interest income	3,903	5,145
Unrealized gain on fair value adjustment on investment properties (note 5)	-	-
Net loss before income taxes	(279,399)	(417,096)
Recovery of income taxes	4,027	44,105
Net loss for the period	<u>(275,372)</u>	<u>(372,991)</u>
Net loss per share		
Basic		
From net income (loss) for the period	\$(0.01)	\$(0.01)
Diluted		
From net income (loss) for the period	\$(0.01)	\$(0.01)

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

Mongolia Growth Group Ltd.

Condensed Interim Consolidated Statement of Comprehensive Income (Loss)

(Unaudited)

For the three month period ended March 31

(expressed in Canadian dollars)

	March 31, 2016 \$	March 31, 2015 \$
Net loss for the period	(275,372)	(372,991)
Other comprehensive (loss) / income		
Items that may be subsequently reclassified to income or loss		
Unrealized gain (loss) on translation of financial statement operations with Mongolian MNT functional currency to Canadian dollar reporting currency	(4,254,751)	2,084,267
Total comprehensive (loss) / income	(4,530,123)	1,711,276

Mongolia Growth Group Ltd.

Condensed Interim Consolidated Statement of Changes in Equity

(Unaudited)

For the three month period ended March 31

	Share capital \$	Contributed surplus \$	Accumulated other comprehensive loss \$	Deficit \$	Total \$
Balance at January 1, 2015	53,789,459	5,815,656	(7,607,039)	(1,067,627)	50,930,449
Net loss for the period	-	-	-	(372,991)	(372,991)
Other comprehensive income	-	-	2,084,267	-	2,084,267
Share based payment	-	169,261	-	-	169,261
Balance at March 31, 2015	53,789,459	5,984,917	(5,522,772)	(1,440,618)	52,810,986

	Share capital \$	Contributed surplus \$	Accumulated other comprehensive loss \$	Deficit \$	Total \$
Balance at January 1, 2016	54,369,332	6,738,875	(1,135,265)	(10,998,597)	48,974,345
Net loss for the period	-	-	-	(275,372)	(275,372)
Other comprehensive loss	-	-	(4,254,751)	-	(4,254,751)
Treasury stock	(7,400)	-	-	-	(7,400)
Share based payment	-	151,912	-	-	151,912
Balance at March 31, 2016	54,361,932	6,890,787	(5,390,016)	(11,273,969)	44,588,734

Mongolia Growth Group Ltd.

Condensed Interim Consolidated Statement of Cash Flows (Unaudited)

For the three month period ended March 31

(expressed in Canadian dollars)

	March 31, 2016 \$	March 31, 2015 \$
Cash provided by (used in)		
Operating activities		
Net loss for the period	(275,372)	(372,991)
Items not affecting cash:		
Depreciation of property and equipment	17,593	30,951
Share based payment	151,912	169,261
Deferred taxes	(13,022)	(93,008)
Realized gain/loss on disposal of investment properties (note 5)	10,352	(14,483)
Realized gain on disposal of property and equipment	-	(17,899)
	<u>(108,537)</u>	<u>(298,169)</u>
Net change in non-cash working capital balances (note 10)	<u>(37,849)</u>	<u>(324,366)</u>
	<u>(146,386)</u>	<u>(622,535)</u>
Financing activities		
Share repurchase	<u>(7,400)</u>	-
	<u>(7,400)</u>	-
Investing activities		
Net (acquisition) disposal of property and equipment (note 6)	(128)	67,721
Net disposal of investment properties (note 5)	<u>160,860</u>	<u>336,183</u>
	<u>160,732</u>	<u>403,904</u>
Effect of exchange rates on cash	<u>(74,654)</u>	<u>51,358</u>
Decrease in cash and cash equivalents	(67,708)	(167,273)
Cash and cash equivalents - Beginning of period	<u>1,035,272</u>	<u>1,645,421</u>
Cash and cash equivalents - End of period	<u>967,564</u>	<u>1,478,148</u>

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

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

March 31, 2016

(expressed in Canadian dollars)

1 Corporate information

The accompanying unaudited condensed interim consolidated financial statements are of Mongolia Growth Group Ltd. (MGG or the Company). The Company is registered in Alberta, Canada, with its Head Office at its registered address at Centennial Place, East Tower, 1900, 520 - 3rd Avenue S.W. Calgary, Alberta, Canada T2P 0R3. The Company is domiciled out of the Company's corporate office and principal place of business which is located at 100 King Street West, Suite 5600, Toronto, Ontario, M5X 1C9, Canada. The Company's Mongolian investment property operations are based out of its office located in the MGG Properties building, at the corner of Chinggis Avenue and Seoul Street in Ulaanbaatar, Mongolia.

At March 31, 2016, the Company is organized into two business units based on the business operations:

- Big Sky Capital LLC and its subsidiaries own investment properties which are located in Ulaanbaatar, Mongolia and are held for the purpose of generating rental revenue, capital appreciation, and/or redevelopment; and
- The MGG Corporate office is located in Toronto, Canada and administers the financial resources, investment portfolio and corporate reporting and legal functions of the Company.

2 Basis of presentation

These unaudited condensed interim consolidated financial statements for the period ending March 31, 2016 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) applicable to the preparation of interim financial statements, including IAS 34 Interim Financial Reporting. The condensed interim consolidated financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2015, which have been prepared in accordance with IFRS as issued by the IASB.

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, and disclosures of contingent assets and liabilities at the date of the consolidated financial statements, revenue, and expenses during the applicable reporting periods. Critical accounting estimates and judgments are described in Note 4.

The interim consolidated financial statements are prepared under the historical-cost convention, except Certain financial instruments and investment properties are measured at their fair value.

The consolidated financial statements' values, including the notes to the consolidated financial statements, are presented in Canadian dollars (\$) which is the Company's presentation currency and the functional currency of the parent company. The functional currency of the Company's operating subsidiaries is the Mongolian National Tögrög (MNT).

The Company's property division experiences some seasonality with higher turnovers of rental contracts in the spring, summer and fall months. Due to the harsh winters experienced in Mongolia, tenants typically do not move or change location as much as they would in the other seasons.

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

March 31, 2016

(expressed in Canadian dollars)

These condensed interim consolidated financial statements were approved for issue by the Board of Directors of the Company on May 25, 2016.

3 Significant accounting policies

The significant accounting policies are unchanged from those set out in the Company's 2015 annual consolidated financial statements except for the adoption of amendments described in Note 3. These policies have been applied to all periods presented in these interim consolidated financial statements, and have been applied consistently by both the Company and its subsidiaries using uniform accounting policies for like transactions and other events in similar circumstances.

4 Significant accounting estimates and judgements

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in net income (loss) in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Significant estimates made in the preparation of these condensed interim consolidated financial statements include the following areas:

- Fair value of investment properties - The estimate of fair value of investment properties is the most critical accounting estimate to the Company. An external appraiser estimates the fair value of the majority of investment properties annually. 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 Company operates in the emerging real estate market of Mongolia, which given its current economic, political and industry conditions, gives rise to an increased inherent risk given the lack of reliable and comparable market information. The significant estimates underlying the fair value determination are disclosed in note 7 of the annual financial statements for the year ended December 31, 2015. Changes in assumptions about these factors could materially affect the carrying value of investment properties.

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

March 31, 2016

(expressed in Canadian dollars)

- Accuracy of share based compensation expense - The estimate of the ultimate 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 Company. 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 option and future forfeiture rates. Further information on key assumptions including sensitivity analysis is included in note 11 of the annual financial statements for the year ended December 31, 2015.
- Operating environment of the Company - Mongolia displays many characteristics of an emerging market including relatively high inflation and interest rates. The tax and customs legislation in Mongolia is subject to varying interpretations and frequent changes. The future economic performance of Mongolia is tied to the continuing demand from China and 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 Company.

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

March 31, 2016

(expressed in Canadian dollars)

5 Investment properties

	March 31, 2016	December 31, 2015
	\$	\$
Balance - beginning of period	46,473,749	48,458,517
Additions:		
Acquisitions	-	-
Capital expenditures	13,482	832,245
Transfer from prepaid deposits	-	750,869
Disposals	(239,955)	(1,785,637)
Unrealized fair value adjustment	-	(7,926,701)
Foreign exchange adjustments	(4,043,103)	6,144,456
	<u>42,204,173</u>	<u>46,473,749</u>
Balance - end of period		

During the first quarter of 2016, one investment property was sold for cash considerations of \$229,603 resulting in a net loss of \$10,352 on the transaction. In comparison, during the first quarter of 2015, four investment properties were sold for cash consideration of \$1,006,753 resulting in net gains of \$14,483 on these transactions. A deposit of \$48,688 for the sale of one of these properties was received in 2015.

As of March 31, 2016, included in investment properties are five (Dec 2015 – four) investment properties actively being marketed for sale that are to be disposed with a fair value of \$2,981,603 (December 31, 2015 - \$2,970,114).

During the three month period ended March 31, 2016, management applied its judgment to calculate the fair value of investment properties using the income approach and the sales comparable approach, which are generally accepted appraisal methodologies.

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

March 31, 2016

(expressed in Canadian dollars)

6 Property and equipment

					2015
	Furniture and fixtures \$	Equipment \$	Vehicles \$	Buildings \$	Total \$
December 31					
Cost	108,439	240,759	30,248	3,072,284	3,451,730
Accumulated depreciation	28,915	123,304	14,382	306,979	473,580
Net book value	79,524	117,455	15,866	2,765,305	2,978,150
					2016
	Furniture and fixtures \$	Equipment \$	Vehicles \$	Buildings \$	Total \$
Cost					
At January 1	108,439	240,759	30,248	3,072,284	3,451,730
Additions	-	128	-	-	128
Disposals	-	-	-	-	-
Foreign exchange adjustment	(9,235)	(20,548)	(2,631)	(266,627)	(299,041)
At March 31	99,204	220,339	27,617	2,805,657	3,152,817
					2016
	Furniture and fixtures \$	Equipment \$	Vehicles \$	Buildings \$	Total \$
Accumulated depreciation					
At January 1	28,915	123,304	14,382	306,979	473,580
Depreciation	2,554	12,820	689	1,530	17,593
Disposals	-	-	-	-	-
Foreign exchange adjustment	(2,230)	(11,897)	(1,296)	(26,919)	(42,342)
At March 31	29,239	124,227	13,775	281,590	448,831
Net book value at March 31	69,965	96,112	13,842	2,524,067	2,703,986

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

March 31, 2016

(expressed in Canadian dollars)

7 Equity

Common shares issued

No common shares were issued during this period.

Common shares purchased

During the period, 18,500 shares were purchased at a price of \$0.40 per share.

Common shares cancelled

No common shares were cancelled during this period.

Stock options

A summary of the Company's options as at March 31, 2016 and December 31, 2015 and changes during the periods then ended follows:

	March 31, 2016	Weighted average exercise price \$	December 31, 2015	Weighted average exercise price \$
Balance, beginning of period	3,288,000	1.45	2,448,000	2.61
Options cancelled	-	-	(615,000)	3.98
Options granted	350,000	0.38	1,575,000	0.73
Options forfeited	(125,000)	4.13	(120,000)	1.56
Options exercised	-	-	-	-
Balance, end of the period	<u>3,513,000</u>	<u>1.25</u>	<u>3,288,000</u>	<u>1.45</u>
Exercisable	<u>3,055,500</u>	<u>1.33</u>	<u>2,510,500</u>	<u>1.53</u>
Weighted remaining average life (years)	<u>3.35</u>	<u>-</u>	<u>3.51</u>	<u>-</u>

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

March 31, 2016

(expressed in Canadian dollars)

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

	March 31, 2016	December 31, 2015
	\$	\$
Weighted average number of shares – basic	35,512,829	35,315,357
Effect of dilutive stock options	350,000	-
Weighted average number of shares – diluted	<u>35,862,829</u>	<u>35,315,357</u>

Basic earnings (loss) per share are derived by dividing net income (loss) for the period by the weighted average number of common shares outstanding for the period. The effect of potentially dilutive securities is excluded if they are anti-dilutive.

8 Related party transactions

Parties are generally considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

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

	March 31, 2016	March 31, 2015
	\$	\$
Salaries and other short-term employee benefits	45,560	59,594
Share-based payments	64,372	51,503
	<u>109,932</u>	<u>111,097</u>

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

March 31, 2016

(expressed in Canadian dollars)

9 Contingent liabilities

From time to time and in the normal course of business, claims against the Company may be received. On the basis of management's assessments and professional legal advice, management is of the opinion that no material losses will be incurred and no provision or disclosure has been made in these condensed interim consolidated financial statements.

The Company indemnifies its directors and officers against any and all claims or losses reasonably incurred in the performance of their service to the Company to the extent permitted by law.

10 Supplementary cash flow information

	March 31, 2016 \$	March 31, 2015 \$
Changes in non-working capital arising from		
Other assets	(68,794)	9,442
Trade payables and accrued liabilities	1,090	(377,461)
Income taxes payable	29,855	43,653
	<hr/>	<hr/>
Changes in non-cash working capital from operating activities	(37,849)	(324,366)

Income taxes paid during the quarter were \$4,027 (March 31, 2015: \$3,329).

11 Segment information

The Company's operations are conducted in two reportable segments as Investment Property Operations and Corporate. The Company reports information about its operating segments based on the way management organizes and reports the segments within the organization for making operating decisions and evaluating performance.

Investment Property operations consist of commercial and residential investment property in Mongolia held for the purposes of rental revenue, capital appreciation or both. These properties are managed by Big Sky Capital LLC and its subsidiaries.

Corporate administers financial resources and the corporate investment portfolio and is comprised of investment income, corporate costs and other activities not specific to other reportable segments and is shown separately.

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

March 31, 2016

(expressed in Canadian dollars)

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

	Three months ended March 31, 2016		
	Investment property \$	Corporate \$	Total \$
Rental income	490,442	-	490,442
Property operating expenses	(400,512)	-	(400,512)
Share based payment	(53,809)	(98,103)	(151,912)
Other expenses	(77,662)	(125,783)	(203,445)
Depreciation	(16,301)	(1,292)	(17,593)
Net investment income	3,900	3	3,903
Gain on disposal of investment property	(10,352)	-	(10,352)
Other revenue	10,070	-	10,070
Net loss before income taxes	(54,224)	(225,175)	(279,399)

	Three months ended March 31, 2015		
	Investment property \$	Corporate \$	Total \$
Rental income	538,249	-	538,249
Property operating expenses	(408,424)	-	(408,424)
Share based payment	(108,579)	(60,682)	(169,261)
Other expenses	(143,486)	(247,871)	(391,357)
Depreciation	(30,951)	-	(30,951)
Net investment income	5,079	66	5,145
Gain on disposal of investment property	14,483	-	14,483
Other revenue	25,020	-	25,020
Net loss before income taxes	(108,609)	(308,487)	(417,096)

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

March 31, 2016

(expressed in Canadian dollars)

	March 31, 2016		
	Investment property \$	Corporate \$	Consolidated \$
Total assets	46,090,185	151,062	46,241,247
Property and equipment	2,698,907	5,079	2,703,986
Investment properties	42,204,173	-	42,204,173
Period Expenditures			
Property and equipment	128	-	128
Investment properties	13,482	-	13,482

	March 31, 2015		
	Investment property \$	Corporate \$	Consolidated \$
Total assets	55,340,281	208,395	55,548,676
Property and equipment	2,999,466	11,667	3,011,133
Investment properties	50,000,552	-	50,000,552
Period Expenditures			
Property and equipment	2,168	-	2,168
Investment properties	555,872	-	555,872

	Revenue		Property and equipment		Investment property	
	March 31, 2016 \$	March 31, 2015 \$	March 31, 2016 \$	March 31, 2015 \$	March 31, 2016 \$	March 31, 2015 \$
Canada	-	-	5,079	11,667	-	-
Mongolia	490,160	577,752	2,698,907	2,999,466	42,204,173	50,000,552
	490,160	577,752	2,703,986	3,011,133	42,204,173	50,000,552

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

March 31, 2016

(expressed in Canadian dollars)

12 Other expenses

	March 31, 2016	March 31, 2015
	\$	\$
Professional fees	136,292	206,264
Travel	7,956	13,977
Advertising	2,683	7,285
Land and property tax	47,098	64,694
Insurance	17,407	65,839
Utility expense	49,357	50,343
Administration	13,986	56,012
Repairs and Maintenance	26,471	8,997
Office expense	13,437	22,659
Other expense	27,342	27,203
	<hr/>	<hr/>
	342,029	523,273
	<hr/>	<hr/>