TMX | TSX Venture Exchange

FORM 2B

AMENDED LISTING APPLICATION

MONGOLIA GROWTH GROUP

MONGOLIA GROWTH GROUP LTD.

("MONGOLIA GROWTH" OR THE "CORPORATION")

Application for Listing of the Common Shares of the Corporation on the TSX Venture Exchange

No securities regulatory authority or the TSX Venture Exchange has expressed an opinion about the securities which are the subject of this application.

Item 1: Table of Contents

Item 2: Glossary, Currency and Exchange Rate Information and Documents Incorporated by Reference

Unless otherwise indicated or the context otherwise indicates, the following definitions are used in this Listing Application. Capitalized terms not otherwise defined herein shall have the meaning ascribed thereto in the Exchange Policies and applicable securities laws. In the event of a conflict between a term defined in this Glossary and a term defined in the Exchange Policies, the Exchange Policies definition will govern.

GLOSSARY

"**ABCA**" means the *Business Corporations Act* (Alberta), and the regulations thereunder, as amended from time to time.

"**Audit Committee**" means the audit committee of the Board.

"**Big Sky**" means Big Sky Capital LLC, a wholly owned subsidiary of Mongolia Barbados.

"**Bloomberg**" means Bloomberg L.P.

"**Board**" means the board of directors of the Corporation.

"**Closing Date**" has the meaning ascribed thereto in Item 5 of this Listing Application.

"**CNSX**" means Canadian National Stock Exchange.

"**Common Shares**" means the common shares in the capital of the Corporation.

"**Compensation Committee**" means the compensation committee of the Board.

"**Consolidation**" has the meaning ascribed thereto in Item 5 of this Listing Application.

"**Corporation**" means Mongolia Growth Group Ltd.

"**Discounted Market Price**' means the Market Price less the following maximum discounts based on closing price (and subject, not withstanding the application of any such maximum discount, to a minimum price per share of $0.05 and a minimum Exercise Price per Warrant or incentive stock option, as the case may be, of $0.10):

Closing Price	Discount
up to $0.50	25%
$0.51 to $2.00	20%
Above $2.00	15%

"**Exchange Policies**" means the TSX Venture Exchange Corporate Finance Manual, or such other similar document in effect from time to time.

"**Exercise Price**" has the meaning ascribed thereto in Item 12 of this Listing Application.

"**FRC**" means the Financial Regulatory Commission of Mongolia.

"**House**" means the State Great Hural, the unicameral legislature of Mongolia.

"**Listing Application**" means this Form 2B listing application dated June 29, 2012, as amended and supplemented October 17, 2012.

"**Management**" means the senior management team of the Corporation.

"**Management's Discussion and Analysis**" means the management's discussion and analysis of the Corporation for the year ended December 31, 2011, incorporated by reference and appended hereto as Appendix "D".

"**Mandal**" means Mandal General Daatgal LLC. Mandal General Daatgal LLC is the official name of the Corporation's insurance subsidiary.

"**Mongolia**" means Mongolia, a country in Northern Asia between China and Russia.

"**Mongolia Barbados**" means Mongolia (Barbados) Corp., a wholly owned subsidiary of the Corporation.

"**MGGI**" means Mongolia Growth Group Inc., a private company acquired by the Corporation.

"**Named Executive Officer**" has the meaning ascribed to it in Form 51-102F6 – *Statement of Executive Compensation.*

"**NEX**" means NEX, a separate board of TSXV.

"**NI 52-110**" means National Instrument 52-110.

"**Option Committee**" has the meaning ascribed thereto in Item 12 of this Listing Application.

"**Options**" means those options to purchase Common Shares granted from time to time by the Corporation.

"**OTCBB**" means the Over the Counter Bulletin Board in the United States of America.

"**Preferred Shares**" means the preferred shares in the capital of the Corporation, of which none are currently outstanding.

"**Private Placement**" has the meaning ascribed thereto in Item 5 of this Listing Application.

"**SEDAR**" means the System for Electronic Document Analysis and retrieval, which can be accessed at www.sedar.com.

"**Shareholders**" means the holders of Common Shares.

"**Share Purchase Agreement**" has the meaning ascribed thereto in Item 5 of this Listing Application.

"**Share Purchase Transaction**" has the meaning ascribed thereto in Item 5 of this Listing Application.

"**Stock Option Plan**" means the Corporation's stock option plan as described in Item 12 of this Listing Application.

"**Summus**" means Summus Capital Corp., a former name of the Corporation.

"**Togrog**" means the official currency of Mongolia, Mongolian Togrog.

"**TSXV**" means the TSX Venture Exchange.

"**Ulaanbaatar**" means the capital city of Mongolia – Ulaanbaatar, Mongolia.

"**UMC Capital**" means UMC Capital LLC, a private company in Mongolia.

"**UMC Group**" means UMC Group LLC, a private company in Mongolia.

CURRENCY AND EXCHANGE RATE INFORMATION

Unless otherwise indicated, all references to "$" or "dollars" in this Listing Application refer to Canadian dollars.

The following table sets forth, for each of the periods indicated, the period end noon exchange rate, the average noon exchange rate and the high and low noon exchange rates of one United States dollar for one Canadian dollar as reported by the Bank of Canada:

	Year ended December 31,		
	2011	**2010**	**2009**
High	1.0604	1.0778	1.3000
Low	0.9449	0.9946	1.0292
Average	0.9891	1.0299	1.1420
Period Ended	1.0170	0.9946	1.0466

On December 12, 2012 the noon exchange rate for the conversion of one United States dollar into Canadian dollars was Cdn. $0.9872 , as reported by the Bank of Canada.

Caution Regarding Forward-Looking Information

This Listing Application contains statements that, to the extent that they are not historical fact, may constitute "forward-looking information" within the meaning of applicable securities legislation. Forward-looking statements or information may include financial and other projections and are statements which reflect the current reasonable expectations and assumptions of Management regarding the future growth, results of operations, performance and business prospects and opportunities of the Corporation.

Wherever possible, words such as "may", "would", "could", "should", "will", "anticipate", "believe", "plan", "expect", "intend", "estimate", "aim", "endeavour" and similar expressions have been used to identify these forward-looking statements. These statements reflect Management's current beliefs with respect to future events and are based on information currently available to Management. Management uses forward-looking statements because it believes they provide useful information with respect to the Corporation, and cautions readers that the information may not be appropriate for other purposes and should not be read as guarantees of future performance or results. In particular, this Listing Application contains forward-looking statements pertaining to the following: delays or uncertainties with regulatory approvals, including that of the Exchange, changes in the business environment that might impact the intended use of proceeds, the demand for insurance services in Mongolia, ability to advance the Corporation's real estate and insurance businesses, expected use of funds for the 12 months following listing on the Exchange, future ownership of Mandal and the closing of the transaction between the Corporation and UMC Capital in relation thereto, future supply and demand for real estate in Mongolia, expected returns from investment, future trends in the population of Mongolia, proposed business modes of the Corporation, competition in Mongolia, future economic outlook for Mongolia, impact of future regulatory changes on the Corporation and its competitors, lack of anticipated changes to the Corporation's business in the next year, use of future earnings, the operation of the Stock Option Plan, the adoption of an acceptable escrow agreement policy, executive compensation matters, the determination and composition of future compensation, the ability of the Compensation Committee to manage compensation risk, vesting of Options, the orientation of new directors and the nomination of directors.

There are uncertainties inherent in forward-looking information, including factors beyond the Corporation's control. The Corporation undertakes no obligation to update forward-looking information if circumstances or Management's estimates or opinions should change except as required by law. The reader is cautioned not to place undue reliance on forward-looking statements.

Although the Corporation believes that the expectations reflected by the forward-looking statements presented in this Listing Application are reasonable, these forward-looking statements have been based on assumptions and factors concerning future events that may prove to be inaccurate. Those assumptions and factors are based on information currently available to the Corporation about itself and the businesses in which it operates. Information used in developing forward-looking statements has been acquired from various sources including third party consultants, suppliers, regulators and other sources. In some instances, material assumptions are disclosed elsewhere in this Listing Application in respect of forward looking statements. The material factors and assumptions used to develop the forward-looking statements include but are not limited to: Capital requirements; fluctuations in the international currency markets and in the rates of exchange of the currencies of Mongolia, Canada, and the United States; price volatility in the spot and forward markets for commodities; changes in national and local government legislation in Canada, the United States and Mongolia or any other country in which the Corporation currently or may in the future carry on business; taxation; controls, regulations and political or economic developments in the countries in which the Corporation does or may carry on business; competition; loss of key employees, additional funding requirements; stock market volatility and ability to access sufficient capital from internal and external sources; changes in project parameters as plans continue to be refined; accidents; labour disputes; and defective title to claims or property.

Forward-looking statements involve significant risks, uncertainties and assumptions. Many factors could cause actual results, performance or achievements of the Corporation to be materially different from any future results, performance or uncertainty regarding achievements that may be expressed or implied by such forward-looking statements. The Corporation is subject to changes in foreign economic, political, and social conditions. The Corporation's future interests in Mongolia are always at risk to changes in government policies that may discourage foreign investment or nationalize companies or industries. Governments may implement business and development restrictions or requirements not currently foreseen. There is no assurance that provisions under Mongolian law for compensation and reimbursement of losses to investors under such circumstances would restore the full value of the Corporation's original investment or to compensate for the loss of the future value of Mongolian projects. The Corporation's future interests in Mongolia may be affected in varying degrees by, among other things, price controls, income taxes and environmental legislation. See Item 21 "Risk Factors" for a detailed discussion of the risks faced by the Corporation.

There can be no assurance that Mongolian laws protecting foreign investments will not be amended or abolished or that existing laws will be enforced or interpreted to provide adequate protection against any or all of the risks described above. The Corporation's operations may also be affected in varying degrees by, among other things, political, economic and social instability, economic or other sanctions imposed by other nations, terrorism, military repression, extreme fluctuations in currency exchange rates, fluctuations in markets where the Corporation invests and high inflation. The Corporation may also be negatively affected by criminal activities including, but not limited to, corruption by government and non-government persons and groups of persons including but not limited to unofficial political organizations such as local gangs or other bodies. The Corporation cannot guarantee that the Mongolian government will not implement laws, including tax laws, or policies specific to the Corporation, or specific to the industries that the Corporation operates in or is dependent upon, that may limit the Corporation's ability to operate effectively, if at all, and to diminish or eliminate profits raised, if any, in Mongolia. Any changes in regulations or shifts in political and social attitudes and conditions are beyond the control of the Corporation and may negatively affect its business interests.

The Corporation could face foreign exchange, interest rate and inflation risks. The Corporation's revenues may be paid in Mongolian Togrog and other various international currencies, and as at the date of this Listing Application the Corporation's working capital is in Canadian dollars, American dollars, and Mongolian Togrog. The Corporation may convert funds to foreign currencies as its payment obligations become due. Part of the Corporation's future costs will likely be incurred in Mongolian Togrog, the currency of Mongolia. The Corporation's accounts are prepared in Canadian dollars and any dividends, if paid, will be paid in Canadian dollars.

Accordingly, the Corporation is subject to inflation in those countries in which it may operate in the future and fluctuations in the rates of currency exchange between the Canadian dollar and the currencies of those countries, and such fluctuations may materially affect the Corporation's business, results of operations and financial condition. Costs related to the development, implementation and operation of the Corporation's business plans may be higher than the Corporation anticipates. Any increase in relevant interest rates will increase the amount the Corporation pays to service any debts which may be incurred, now or in the future.

In addition, new factors and risks emerge from time to time and it is not possible for the Management to predict all of such factors and to assess in advance the impact of each such factor on the Corporation or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results, performance or achievements may vary materially from those expressed or implied by the forward-looking statements contained in this Listing Application. These factors should be considered carefully and readers should not place undue reliance on forward-looking statements.

Although forward-looking statements contained in this Listing Application are based upon what Management currently believes to be reasonable assumptions, the Corporation cannot assure prospective investors that actual results, performance or achievements will be consistent with these forward-looking statements. Forward-looking statements herein are made as of the date of this Listing Application and the Corporation does not assume any obligation to update or revise these forward-looking statements except as required by applicable securities laws.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents of the Corporation, filed by the Corporation with the securities commissions in each of Alberta, British Columbia and Ontario are specifically incorporated by reference into and form an integral part of this Listing Application:

(a) Audited consolidated statement of financial position of the Corporation as at December 31, 2011 and 2010 and January 1, 2010 and the consolidated statements of operations, comprehensive income (loss), changes in equity and cash flows for the years ended December 31, 2011 and 2010, including the notes thereto and the auditors' report thereon appended hereto as Appendix "C";

(b) Management's discussion and analysis of the Corporation for the year ended December 31, 2011 appended hereto as Appendix "D";

(c) Management's discussion and analysis of the Corporation for the three and nine months ended September 30, 2012 appended hereto as Appendix "F";

(d) Management's discussion and analysis of the Corporation for the year ended December 31, 2010 appended hereto as Appendix "G";

(e) Material change report of the Corporation dated May 30, 2012 appended hereto as Appendix "H";

(f) Material change report of the Corporation dated May 22, 2012 appended hereto as Appendix "I";

These documents are also available through the internet on SEDAR, which can be accessed at www.sedar.com or on the Corporation's website www.mongoliagrowthgroup.com.

Any statement contained in this Listing Application or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded, for the purposes of this Listing Application, to the extent that a statement contained herein or in any other subsequently filed document which is also or is deemed to be incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed to constitute a part of this Listing Application, except as so modified or superseded.

Item 3: Summary

The following is a summary of the principal features of this Listing Application and should be read together with the more detailed information and financial data and statements contained elsewhere in this Listing Application. Unless otherwise indicated, all references to "$" or "dollars" in this Listing Application refer to Canadian dollars.

Business of the Corporation

The Corporation is a holding company with various wholly owned subsidiaries operating in both the real estate and financial industries within the nation of Mongolia. The Corporation currently has two subsidiaries incorporated in Barbados, Mongolia Fidelity Holding Corp. and Mongolia (Barbados) Corp., that operate as holding companies for all but one of the Corporation's Mongolian subsidiaries. Mongolia Fidelity Holding Corp owns Mandal Universal, a Mongolian subsidiary which is currently inactive and is in the process of being discontinued. Mongolia (Barbados) Corp. owns Big Sky Capital LLC, the Corporation's primary real estate subsidiary which, at November 30, 2012 held approximately $17.3 million in assets. Big Sky also wholly owns the following eight subsidiaries, each of which have real estate operations in Mongolia and the following assets: Chaos LLC ($1.3 million), Carrolton LLC ($4.8 million), Biggie Industries LLC ($9.1 million), Orpheus LLC ($4 million), Endymion LLC ($2.8 million), Zulu LLC ($5.9 million), Crescent City LLC ($0.0 – no assets) and Oceanus LLC ($0.0 – no assets). The Corporation also directly holds Mandal, a property and casualty insurance company. See Item 4 "*Corporate Structure*" and Item 5 "*Description of the Business*".

As of November 30, 2012, the Corporation, through its Mongolian operating subsidiaries, has acquired over $34,000,000 of investment property in Ulaanbaatar, the capital of Mongolia. The Corporation has also founded the largest, as measured by equity capital, insurance company in Mongolia[1], Mandal, to serve the rapidly growing insurance market in Mongolia.

The Corporation was incorporated in the Province of Alberta and is a reporting issuer in Alberta, British Columbia and Ontario.

Securities

The Corporation's Common Shares are currently traded in Canada on the CNSX under the symbol "YAK" and on the OTCBB under the symbol "MNGGF". See Item 13 "*Prior Sales – Trading Price and Volume*".

The Corporation's authorized share capital consists of unlimited Common Shares and unlimited Preferred Shares. As at November 30, 2012, there were 34,143,352 Common Shares and nil Preferred Shares issued and outstanding. Also at November 30, 2012, the Corporation had 1,832,000 Options to purchase Common Shares outstanding. See Item 9 "*Disclosure of Outstanding Security Data on Fully Diluted Basis*" and Item 12 "*Stock Option Plan*".

Available Funds and Principal Purposes

As at November 30, 2012, the Corporation had raised approximately $51,000,000 in funds.

As at November 30, 2012 the Corporation had approximately $9,7 million in working capital available.

[1] Financial Regulatory Commission of Mongolia

The following chart provides a breakdown of the Corporation's expected use of funds for the 18 month period following listing by detailing the expected Operating and General and Administrative expenses.

Budgeted use of funds for the 18 month period following listing

	For the 18 month period following listing
Advertising and marketing	224,465
AGM fees	25,000
Depreciation	136,002
Exchange fees – annual	59,208
General and administrative	355,181
Insurance	96,310
Investor relations	90,000
Land and property tax	196,787
Meals and entertainment	83,526
Professional Fee: Audit	443,869
Professional Fee: Legal	278,229
Professional Fee: Property Valuation	73,732
Professional Fee: Other	30,163
Rent expense	228,088
Repairs and maintenance	134,059
Salaries - directors and officers	397,498
Salaries and wages - employees	1,650,373

Telephone and internet	67,212
Travel expense	336,351
Transfer agent fees and Sedi filing fees	63,000
Utilities	137,581
Website	9,000
	5,115,634

February 2, 2011 - The Corporation closed a non-brokered private placement of 12,685,452 Common Shares for aggregate gross proceeds of $4,611,253 on a post-consolidated basis.

April 8, 2011 - The Corporation closed a non-brokered private placement of 11,257,923 Common Shares, at a price of $1.32 per share, for aggregate gross proceeds of $14,860,458.

June 23, 2011 - The Corporation closed a non-brokered private placement of 4,871,673 Common Shares, at a price of $3.51 per share, for aggregate gross proceeds of $17,099,573.

December 23, 2011 - The Corporation closed a non-brokered private placement of 3,846,154 Common Shares, at a price of $3.90 per Common Share, for aggregate gross proceeds of $15,000,000.

The principal purpose of available funds is for, among other things, advancement of the business units of the Corporation, being real estate and insurance, and for general corporate purposes, as more particularly described in the chart below (with selected unaudited consolidated financial information), Item 5 "*Description of the Business*" and Item 6 "*Financings*".

	2012			**2011**			
	Q1	Q2	Q3	Q1	Q2	Q3	Q4
Revenue	469,882	571,472	577,905	-	42,263	186,134	360,914
Operational Expenditures	1,252,875	1,281,267	1,384,289	140,678	250,040	526,250	905,030
Capital Expenditures							
Property and Equipment	136,764	306,380	(117,033)	42,009	1,105,841	2,995,274	1,099,259
Investment Property	4,503,418	6,042,887	432,852	618,405	8,108,754	4,201,811	9,512,233
G&A Expenditures	36,406	71,459	25,294	17,861	23,833	38,698	62,584
Cash Balance End of Period	14,393,415	8,017,410	8,914,087	8,518,840	22,611,885	13,810,700	20,078,948

Risk Factors

There are risks associated with the business of the Corporation that should be considered, including, but not limited to, the following: the Corporation may be unable to obtain additional capital; ability to effectively manage growth; active market for the Common Shares; dividends; analyst coverage; future issuances of Common Shares and dilution; business risks associated with operating in Mongolia; foreign operations; insurance coverage; foreign exchange, interest rate and inflation risks; stage of development; limited operating history; and other risks associated with the Corporation as described in greater detail elsewhere in this Listing Application. See Item 21 "*Risk Factors*".

Selected Unaudited Consolidated Financial Information

The financial statements included in this Listing Application have been prepared in accordance with International Financial Reporting Standards ("**IFRS**").

STATEMENT OF OPERATIONS DATA	**Nine Months ended September 30, 2012**	**2011**	**2010**
Revenues	1,619,259	589,311	-
Total Expenses	3,918,431	3,809,334	249,231
Net Income (Loss)	-1,585,342	1,349,153	-247,846
Per Share Data:			
Net loss per share from continuing operations (undiluted)	-0.05	0.06	-0.10
Net loss per share (undiluted)	-0.05	0.06	-0.10
BALANCE SHEET DATA			
Total Assets	52,048,976	55,336,889	156,847
Total liabilities	2,016,330	2,040,129	9,677
Working Capital	9,791,801	21,059,481	147,170
Shareholders Equity	50,032,646	53,296,760	147,170

The annual information presented above is extracted from the audited financial statements. The consolidated financial statements of the Corporation presented elsewhere in this Listing Application are audited as of and for the year ended December 31, 2011. Such financial statements have been prepared in accordance with IFRS and are reported in Canadian dollars. The following information should be read in conjunction with the Corporation's financial statements for the year ended December 31, 2011 appended hereto as Appendix "C" and Management's Discussion and Analysis appended hereto as Appendix "D", the Unaudited Interim Financial Statements for the three and nine months ended September 30, 2012 appended hereto as Appendix "E", Management's Discussion and Analysis for the three and nine months ended September 30, 2012 appended hereto as Appendix "F" and Management's Discussion and Analysis for the year ended December 31, 2010 appended hereto as Appendix "G" and related notes included elsewhere in this Listing Application. See Item 32 "*Financial Statement Disclosure for Issuers*".

Item 4: Corporate Structure

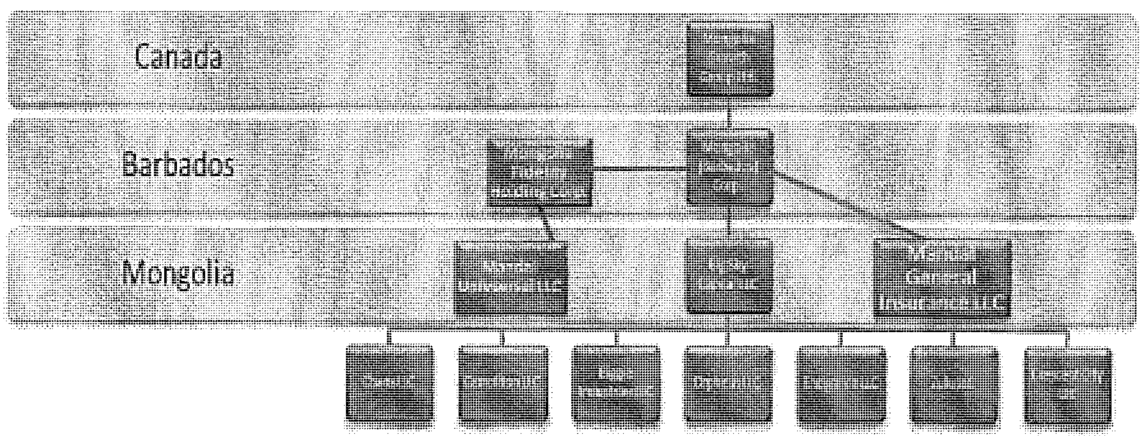
Name, address and incorporation

The Corporation, formerly known as Summus Capital Corp. ("**Summus**"), was incorporated under the ABCA in Alberta on December 17, 2007. On February 7, 2008, the Corporation filed articles of amendment removing its private company restrictions. On February 2, 2011, Management purchased 320,500 common shares of Summus, from the then management of Summus. On February 2, 2011 the Corporation filed articles of amendment renaming Summus "Mongolia Growth Group Ltd.", cancelled all options and consolidated the common shares of Summus at a ratio of 1:2, as well as filed an application for the de-listing of the common shares from the NEX and filed an application for the listing of common shares on the CNSX. On April 17, 2012, the Corporation filed articles of amendment allowing for meetings of Shareholders to be held at any place within Canada or the United States of America.

The Corporation is registered in Alberta, Canada, with its registered address at 1400, 700 - 2nd Street W, Calgary, Alberta, Canada. The Corporation's corporate office and principal place of business is 706 – 34 Cumberland St. N., Thunder Bay, Ontario, P7A 4L3, Canada. The Corporation also has a business office for its Mongolian operations in Sukhbaatar district, 2nd Khoroo, Seoul Street, Bld 7/2, Ulaanbaatar, Mongolia. The Corporation is a reporting issuer in Alberta, British Columbia and Ontario.

Inter-corporate Relationships

Below is a diagram displaying the inter-corporate relationships among the issuer and its subsidiaries.



Mongolia (Barbados) Corp. ("Mongolia Barbados")

- Founded February 9, 2011
- Incorporated pursuant to the laws of Barbados
- Located at Suite 100, One Financial Centre, Lowe Collymore Rock, St. Micheal, Barbados
- Wholly-owned by the Corporation

Mongolia Fidelity Holding Corp. ("MFH")

- Founded April 7, 2011
- Incorporated pursuant to the laws of Barbados
- Located at Suite 100, One Financial Centre, Lowe Collymore Rock, St. Micheal, Barbados
- Wholly-owned by Mongolia Barbados

Mandal General Insurance LLC

- Founded April 21, 2011
- Incorporated pursuant to the laws of Mongolia
- Located at Sukhbaatar District, 2nd khoroo, 5th khoroolol, Seoul Street, Building 7/1, 5th floor Ulaanbaatar, Mongolia
- Wholly-owned by the Corporation

Mandal Universal LLC

- Founded April 15, 2011
- Incorporated pursuant to the laws of Mongolia
- Located at Sukhbaatar District, 1st khoroo, Chinggis Avenue, New Century Plaza Ulaanbaatar, Mongolia
- Wholly-owned by MFH

Big Sky Capital LLC ("Big Sky")

- Founded February 10, 2011
- Incorporated pursuant to the laws of Mongolia
- Located at Sukhbaatar District, 2nd khoroo, 5th khoroolol, Seoul Street, Building 7/1, 5th floor Ulaanbaatar, Mongolia
- Wholly-owned by Mongolia Barbados

Biggie Industries LLC

- Founded April 28, 2011
- Incorporated pursuant to the laws of Mongolia
- Located at Sukhbaatar District, 2nd khoroo, 5th khoroolol, Seoul Street, Building 7/1, 5th floor Ulaanbaatar, Mongolia
- Wholly-owned by Big Sky

Endymion LLC

- Founded April 28, 2011
- Incorporated pursuant to the laws of Mongolia
- Located at Sukhbaatar District, 2nd khoroo, 5th khoroolol, Seoul Street, Building 7/1, 5th floor Ulaanbaatar, Mongolia
- Wholly-owned by Big Sky

Orphius LLC

- Founded April 28, 2011
- Incorporated pursuant to the laws of Mongolia
- Located at Sukhbaatar District, 2nd khoroo, 5th khoroolol, Seoul Street, Building 7/1, 5th floor Ulaanbaatar, Mongolia
- Wholly-owned by Big Sky

Zulu LLC

- Founded April 28, 2011
- Incorporated pursuant to the laws of Mongolia
- Located at Sukhbaatar District, 2nd khoroo, 5th khoroolol, Seoul Street, Building 7/1, 5th floor Ulaanbaatar, Mongolia
- Wholly-owned by Big Sky

Crescent City LLC

- Founded June 2, 2011
- Incorporated pursuant to the laws of Mongolia
- Located at Sukhbaatar District, 2nd khoroo, 5th khoroolol, Seoul Street, Building 7/1, 5th floor Ulaanbaatar, Mongolia
- Wholly-owned by Big Sky

Chaos LLC

- Founded September 25, 2011
- Incorporated pursuant to the laws of Mongolia
- Located at Sukhbaatar District, 2nd khoroo, 5th khoroolol, Seoul Street, Building 7/1, 5th floor Ulaanbaatar, Mongolia
- Wholly-owned by Big Sky

Carrolton LLC

- Founded September 23, 2011
- Incorporated pursuant to the laws of Mongolia
- Located Sukhbaatar District, 2nd khoroo, 5th khoroolol, Seoul Street, Building 7/1, 5th floor Ulaanbaatar, Mongolia
- Wholly-owned by Big Sky

Item 5: Description of the Business

Describe the Business

The Corporation is an early stage real estate and financial services conglomerate focusing its operations in the emerging economy of Mongolia. The Corporation currently has two different lines of business: real estate and insurance. As of November 30, 2012, the Corporation has acquired over $34,000,000 of investment property. The Corporation has also invested USD $5 million in an insurance corporation, Mandal, which is one of the most capitalized insurers in Mongolia[2].

Corporate History

The Corporation completed an initial public offering of 2,414,300 Common Shares on October 9, 2008 and became a capital pool company ("**CPC**") under the policies of the TSX Venture Exchange ("**TSXV**"). Prior to completing its initial public offering, the Corporation issued 1,100,000 Common Shares, as seed shares, to directors and officers at a price of $0.10 per share for gross proceeds of $110,000. The Corporation was listed on the TSXV and was required to complete a Qualifying Transaction (as defined in the TSXV Corporate Finance Manual) pursuant to the policies of the TSXV by October 21, 2010.

On November 5, 2009, the Corporation entered into a Letter of Intent with ReNvision Biofules Inc. ("**ReNvision**") in contemplation of completing a Qualifying Transaction and the trading of Common Shares was halted on November 6, 2009 in accordance with the CPC policies of the TSXV pending announcement of the proposed Qualifying Transaction which occurred on November 16, 2009. On December 23, 2009, the Corporation announced that it had entered into a formal agreement dated December 23, 2009 ("**ReNvision Agreement**") to acquire all of the issued and outstanding shares of ReNvision. On October 19, 2010, the Corporation terminated the ReNvision Agreement due to a failure to complete the financing condition of the transaction. As a result, the Corporation did not complete a Qualifying Transaction within the time frames provided by the TSXV for CPCs. As such, the Corporation's shares were suspended from trading on October 22, 2010.

At the annual general and special meeting of Shareholders held on September 21, 2010, disinterested shareholders of the Corporation approved the transfer of the Corporation's listing to the NEX trading board of the TSXV ("**NEX**") as well as approved the cancellation of an amount of seed shares purchased by the directors and officers of the Corporation so that the average cost of the remaining seed shares was at least equal to $0.20, the price at which the Corporation conducted its initial public offering. As a result, the Corporation cancelled 550,000 shares previously issued to directors and officers.

On October 26, 2010, the Corporation's listing on the TSXV was transferred to the NEX board of the TSXV to trade under the symbol "SS.H" as a result of disinterested shareholders of the Corporation voting affirmatively to relist the securities on the NEX board, following the Corporation's failure to complete a qualifying transaction within the prescribed time frame. Trading in the shares of the Corporation was also reinstated.

On December 1, 2010, the Corporation and the founding board members of the Corporation (each a "**Vendor**" and collectively, the "**Vendors**") entered into a share purchase agreement (the "**Share Purchase Agreement**") with two arm's length investors, Harris Kupperman and Jordan Calonego (collectively, the "**Purchasers**"), pursuant to which the Purchasers agreed to buy, and the Vendors agreed

[2] Financial Regulatory Commission of Mongolia

to sell to the Purchasers, an aggregate of 641,000 Common Shares (the "**Summus Shares**") on a pre-consolidated basis from the Vendors, being all the Common Shares of the Corporation presently owned by such persons (the "**Share Purchase Transaction**"). The consideration payable for the purchase of the Summus Shares was satisfied by the Purchasers' payment to the respective Vendors in the amount of $32,050 cash, being $0.05 per Common Share, upon closing of the transaction, followed by a further payment of Cdn. $104,449 by the Purchasers to the respective Vendors upon the expiration of a consulting agreement relating to the transaction. The Share Purchase Transaction closed on February 2, 2011 (the "**Closing Date**").

Also effective December 1, 2010, the Corporation entered into a consulting agreement with the Vendors, as consultants, with Praetorian GP LLC, as a designee of Harris Kupperman, and Talaria Capital I Corp., as a designee of Jordan Calonego, pursuant to which the Vendors agreed to provide to the Corporation and the Purchasers certain management consulting services for a period following the closing of the Share Purchase Transaction.

Pursuant to the Share Purchase Transaction, each Vendor agreed to surrender its respective Common Share options (the "**Subject Options**"), being all of the options to purchase Common Shares ("**Options**") granted to such Vendor, to the Corporation for cancellation as of the Closing Date. The Corporation's corporate secretary, who is not a party to the Share Purchase Agreement, also agreed to surrender the 31,975 Options held by him. Together, the Subject Options and the additional 31,975 Options constituted all of the issued and outstanding Options of the Corporation consisting of 296,430 Options exercisable at a price of $0.20 per Common Share expiring on October 9, 2013.

Further, as a condition to the Share Purchase Transaction, the Corporation raised an aggregate of $4,611,252 from the sale of 12,000,000 Common Shares from treasury on a post-consolidated basis at a price of $0.05 per Common Share, which the Board determined in good faith was the fair value of each Common Share at the time, and 13,370,904 Common Shares from treasury on a post-consolidated basis at a price of $0.30 per Common Share (the "**Private Placement**"). The transfer of Common Shares and the above noted financing occurred concurrently and the post-closing officers and directors subscribed for Common Shares under the financing prior to their elections and appointments. The Private Placement was completed on the Closing Date, and was solely managed and completed by the Corporation, with no broker or consulting fees, warrants or other major disbursements paid by the Corporation.

In connection with the Share Purchase Transaction, the Corporation authorized a consolidation of the outstanding Common Shares of the Corporation to reduce significantly the number of Common Shares outstanding so as to enhance the marketability for the Common Shares and to facilitate any future financings or other business transactions involving the Common Shares. The consolidation occurred on the Closing Date on the basis of one post-consolidation Common Share for every two pre-consolidation Common Shares (the "**Consolidation**") that were outstanding prior to the Closing Date.

Also in connection with the Share Purchase Transaction, the Corporation applied to delist its Common Shares from the facilities of NEX (the "**NEX Delisting**") and applied to list its Common Shares (the "**CNSX Listing**") on the facilities of the Canadian National Stock Exchange ("**CNSX**") in order to reflect the change in the Corporation's business activities and to facilitate and expedite its objectives upon the completion of the Share Purchase Transaction. The Corporation's Common Shares were subsequently delisted from the NEX pursuant to an NEX bulletin. The Corporation received conditional approval from the CNSX for the CNSX Listing on January 7, 2011. The Corporation also changed its name to "Mongolia Growth Group Ltd." (the "**Name Change**") in order to reflect the change in the Corporation's business activities upon the completion of the Share Purchase Transaction.

On December 1, 2010, the Corporation requested that the NEX halt the trading of its Common Shares in anticipation of the Corporation holding its annual and special meeting of shareholders on January 17, 2011, where the shareholders of the Corporation approved, among other items presented for consideration at the meeting, the Private Placement, the Share Purchase Transaction, the NEX Delisting, the CNSX Listing, the Name Change, the Consolidation and the appointment of Harris Kupperman, Jordan Calonego, William Fleckenstein, Paulo Bilezikjian and Paul Sweeney as directors of the Corporation. Effective January 17, 2011, Jason Krueger, Alan Withey, Gord Harris, Larry Parks and Peter Lubey resigned as directors.

Pursuant to the Share Purchase Agreement, the Corporation purchased all amounts owing by MGGI to Harris Kupperman on the Closing Date and immediately after the closing of the Private Placement, Share Purchase Transaction and Consolidation. Pursuant to the Share Purchase Agreement, the Corporation purchased all amounts owing by MGGI to Jordan Calonego and the common shares of Mr. Calonego in MGGI on the Closing Date and immediately after the closing of the Private Placement, Share Purchase Transaction and Consolidation (the "**Mongolia Share Purchase Transaction**"). As the common shares in MGGI held by Mr. Calonego constituted all of the issued and common shares of MGGI, as a result of the Mongolia Share Purchase Transaction, the Corporation became the sole shareholder of MGGI Immediately thereafter, the Corporation amalgamated with MGGI.

Effective on the Closing Date, Harris Kupperman was appointed President and Chief Executive Officer of the Corporation and Jordan Calonego was appointed Chief Operating Officer, interim Chief Financial Officer and interim Corporate Secretary of the Corporation following the resignations of Jason Krueger as President and Chief Executive Officer, Alan Withey as Vice President, Finance and Chief Financial Officer and Syd Abougoush as Corporate Secretary.

On February 2, 2011, the Corporation closed a non-brokered private placement of 12,685,452 Common Shares for aggregate gross proceeds of $4,611,253 on a post-consolidated basis.

On February 2, 2011, the Corporation changed its name to the Mongolia Growth Group Ltd.

On March 9, 2011, the Corporation entered an agreement with various members of UMC Group to provide consulting services during the business formation process of founding a property and casualty business in Mongolia. Certain individuals were contracted to stay on as senior management of the future insurance company.

On April 8, 2011, the Corporation closed a non-brokered private placement of 11,257,923 Common Shares, at a price of $1.32 per share, for aggregate gross proceeds of $14,860,458.

On April 13, 2011, the Corporation's Common Shares began trading on the OTCBB under the symbol MNGGF.

On June 23, 2011, the Corporation closed a non-brokered private placement of 4,871,673 Common Shares, at a price of $3.51 per Common Share, for aggregate gross proceeds of $17,099,573.

On December 23, 2011, the Corporation closed the non-brokered private placement of 3,846,154 Common Shares, at a price of $3.90 per Common Share, for aggregate gross proceeds of $15,000,000.

On May 16, 2012, the Corporation announced that it had agreed to and signed a binding term sheet agreeing to sell shares of Mandal to UMC Capital, the operators of Mandal, at a purchase price equivalent to the Corporation's original funding cost in June 2011. At this point in time, a definitive sale purchase agreement has been entered into. An initial deposit of US$223,081 has been received and additional payment of approximately 686,000,000 Mongolian Togrogs is due by March 31, 2013, for total cash consideration of 998,883,000 Mongolian Togrogs. The transaction is to close upon final receipt of payment, on or before March 31, 2013. Following the closing of this transaction, UMC Capital and the Corporation will respectively own approximately 16% and 84% of Mandal's currently outstanding shares. In addition, UMC Capital will retain the right to purchase an additional 25% of Mandal at the higher of stated book value or funding cost. Regulatory approvals in Mongolia have been requested and we believe such approvals will be received in advance of the projected closing date. The regulators in Mongolia are very encouraging of the investment in Mandal General Insurance LLC by UMC Capital LLC and, as such, have indicated that they will aid in expediting the approval of the investment. It is a condition precedent of closing that the purchasing party obtain regulatory approval.

In addition, 200,000 of UMC Capital's ten year Options will vest immediately. In exchange for accelerating the vesting of these Options, the new strike price will be $1.90 compared to the original strike price of $1.64 (a 16% increase). The Corporation applied for an exemption to the stock option policies of the CNSX in order to adjust the vesting period and exercise price of the Options, and this application was approved by the CNSX.

Reorganization Transaction

On December 1, 2010, the Corporation announced the signing of an agreement whereby Harris Kupperman and Jordan Calonego planned to purchase 320,500 Common Shares of Summus on a post-consolidated basis from the founding board members of Summus (the "**Reorganization**"). The Reorganization was completed on February 2, 2011. Summus also completed the following transactions on February 2, 2011, which were approved by the Shareholders at the annual and special meeting of Shareholders on January 17, 2011:

1. A Private Placement by Summus which raised gross proceeds of $4,611,253 from the sale of 12,685,452 Common Shares on a post-consolidated basis;

2. The filing of articles of amendment renaming Summus as "Mongolia Growth Group Ltd." and consolidating the common shares of Summus at a ratio of two pre-consolidation common shares for one post-consolidation Common Share;

3. The filing of an application for the de-listing of the Common Shares from the NEX and an application for the listing of the Common Shares on the CNSX; and

4. The appointment of Paulo Bilezikjian, Jordan Calonego, Bill Fleckenstein, Harris Kupperman and Paul Sweeney as the new directors.

Real Estate in Mongolia

Over time, real estate prices in Mongolia are expected to be correlated with changes in wealth and disposable income. As the Mongolian economy expands, the Corporation anticipates that real estate should be a sector that will take advantage of such trends. While the Corporation is open to attractive construction opportunities, its preference is to purchase and rent out existing properties. Management sees rental yield as a tangible metric in determining the value of a property portfolio. Importantly, existing properties produce cash flow almost immediately after being acquired. The Corporation is determined to achieve profitability and reduce funding risk. Over time, the majority of the returns from a property portfolio are created by rental appreciation, which will in turn increase property values, especially in a rapidly growing economy. The Corporation views Kazakhstan as an example of what happens to property prices when an economy grows from a low base. The Corporation likes to use Almaty, the largest city in Kazakhstan, as the template for our Mongolian investments as much of the city planning and infrastructure has a similar Soviet design. Currently, property prices in Almaty are three to ten times the prices of comparable properties in Ulaanbaatar — hence the opportunity that we see as investors in Ulaanbaatar.

Real Estate Portfolio

The Corporation is focusing its efforts in both residential and commercial real estate in the capital city of Mongolia, Ulaanbaatar. As of November 30, 2012, the Corporation owned 47 units of residential housing, 6,144 square meters of retail space, 5,206 square meters of office space and leases to 14,062 square meters of redevelopment opportunities.

For the year ended December 31, 2011, 17% of the Corporation's rental revenue came from residential tenants, 65% came from retail tenants, 16% came from office tenants and 2% came from redevelopment. For the eleven month period ended November 30, 2012, 10% of the Corporation's rental revenue came from residential tenants, 54% came from retail tenants, 29% came from office tenants and 8% came from redevelopment. For the month of November 2012, 9% of the Corporation's rental revenue came from residential tenants, 56% came from retail tenants, 24% came from office tenants and 11% came from redevelopment.

As of November 30, 2012, approximately 97.9% of all rentable properties in the total portfolio were occupied. The Corporation currently employs two property associates responsible for renting out the Corporation's properties. Most of the Corporation's existing leases have a clause that restricts the annual rent increase to no more than 25% for the term of the lease. For this reason, and due to substantial anticipated increases in rental rates, Management has kept a policy of only signing short duration leases, with varying terms.

As of November 30, 2012 the Corporation had the following leases:
1 year = 33.3%
2 year = 26.2%
3 year = 29%
5 year = 11.5%

The Corporation has internal employees searching for acquisition targets, as well as relationships with numerous external property agents that look for properties to purchase. When potential acquisitions are discovered, Management has the property measured and examined by an internal property inspector. The property is analyzed, based on location (for comparable recent sales and rental rates), as well as assessed for potential redevelopment or modifications, which would lead to higher rents and justify purchase. This process is enhanced via the proprietary knowledge of the Corporation's internal research team. The property title is inspected and if all checks come in positive and the asking price is reasonable, Management begins negotiating on the price. Most properties are found through word of mouth. Property agents are compensated differently depending on whether they are an employee or an external contractor. As of December 31, 2011, the Corporation had two employees searching for property acquisitions, two employees renting properties, three property accountants, five administration staff members, and nine support employees.

Background

Ulaanbaatar, the capital city, has a population of approximately 1.17 million people[3] which makes up about 43% of Mongolia's entire population. There appears to be a significant undersupply of modern housing and commercial properties in the city center of the capital. As of today, 38% of city residents are living in apartments or houses[4], while the rest are living in gers, traditional Mongolian tent housing. Ulaanbaatar city is aiming to reduce the number of gers dramatically because of air pollution and smog problems. Each household in a ger burns coal as the main source of heat. The Government of Mongolia has been implementing several construction and infrastructure projects to develop a modern city and reduce air pollution. By 2020, Ulaanbaatar expects that 82% of city residents[5] will live in apartments. Thus, the construction industry, along with real estate businesses, will play an important role in the domestic economy in next few decades. As the economy expands, increasingly affluent Mongolians will demand higher standards of living as will foreigners from developed countries working in the country who already have high expectations.

Plan

The Corporation plans to focus on the city center of Ulaanbaatar in which it will purchase select new construction as well as acquire undervalued older, well-located units and renovate them. More specifically, the Corporation has been targeting two distinct districts, Sukhbaatar and Chingeltei, in which the Corporation has purchased the majority of the property in its portfolio. These two districts have been targeted by the Corporation as they are the downtown core of the city and the Corporation expects these areas to be the fastest growing and most desirable property in Ulaanbaatar.

Property Competition

The real estate market in Mongolia is highly competitive and fragmented and the Corporation competes for real property acquisitions and the rental of properties with individuals, corporations, institutions and other entities that may seek real property investments similar to those we desire. An increase in competition for real property investments would increase purchase prices and reduce the yield on investing in properties. The Corporation believes that its competitive position is equivalent to that of other property investment companies of similar size and at a similar stage of development.

i-The Corporation faces competition from numerous businesses and individuals, effectively including all Mongolians that own property and offer their property for let. The Corporation also faces competition from both Mongolian and foreign property developers who are adding additional property to the market with an intention of offering their properties for let.

ii-In terms of public companies that exist to invest in property in Ulaanbaatar, the only competitor of ours is Mongolian Development Resources (publicly listed in Mongolia).

iii-In terms of institutional investors who aim to own property to collect rental revenue, to date, there are no other competitors that the Corporation is aware of. There are a number of substantial Mongolian property groups which are owned by a small group of investors. Some of the largest of these groups include MCS Group, Tushig Group, Max Group, Bodi Group, Grand Group and Chono Group.

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[3] National Statistical Office of Mongolia, 2011 December Bulletin
[4] Ulaanbaatar City Development Plan 2020
[5] Ulaanbaatar City Development Plan 2020

iv-We have learned of numerous property funds that have been launched to allow foreign investors to invest in property in Ulaanbaatar. To date, we are not aware of any of these that have raised substantial capital and the most substantial of these are backed by Cube Capital, MAD Mongolia and APIP.

Insurance in Mongolia

As indicated by the results of other emerging markets such as Kazakhstan, as an economy grows the need for financial services grows with it. Management's research shows that this process is not linear—rather, the demand for financial services should eventually grow at a faster pace than the overall economy. The Corporation expects that if it can partner with good local operators, it should produce substantial operating leverage for the Corporation, particularly as financial services tend to have high returns on capital in the long run. The Corporation intends for property and casualty insurance to be the first business line of what it hopes will be an integrated financial services company.

With the growth in Mongolia, consumers and businesses will acquire more valuable assets, and will naturally want to find ways to mitigate losses due to exogenous events. It is said that one doesn't realize the need for insurance until they have to file an insurance claim. The recent earthquakes in Japan and Turkey as well as the flood in Thailand serve as reminders of the need for insurance.

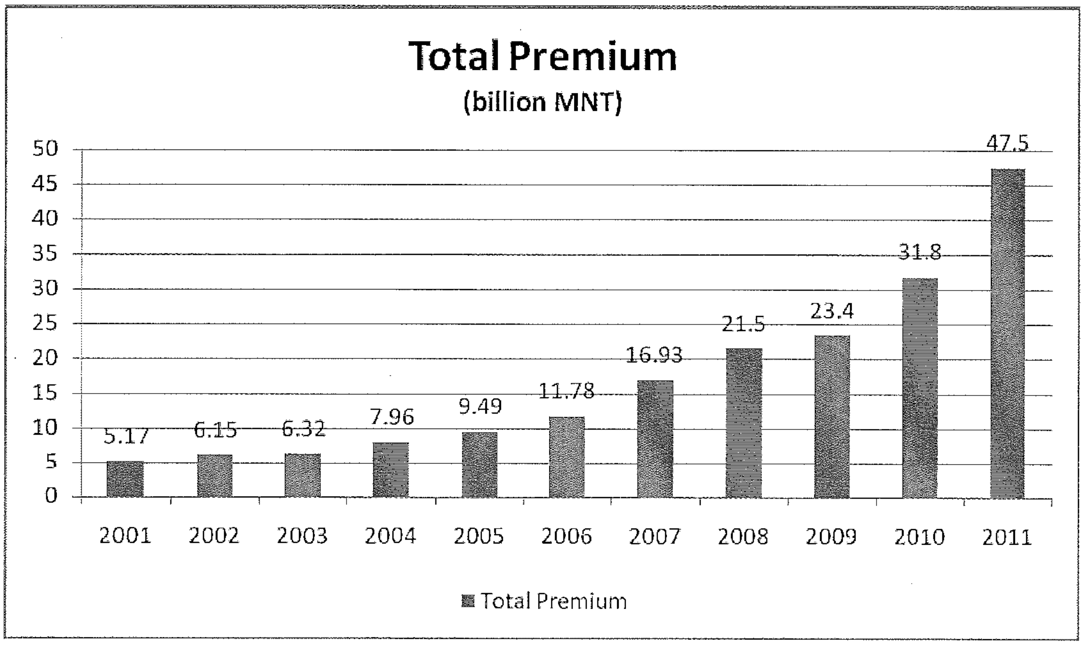
On March 9, 2011, the Corporation struck a partnership with various members of UMC Group, a highly respected Mongolian management company, to provide consulting services during the business formation process of the insurance company with the intention that certain individuals will stay on as senior management of the future insurance company. On June 20, 2011, the Corporation's subsidiary announced the receipt of an insurance license from the Financial Regulatory Commission of Mongolia ("**FRC**") allowing the Corporation to underwrite property and casualty insurance in Mongolia. The newly formed insurance company, Mandal, was seeded with US$5 million, making it one of the most capitalized insurers in Mongolia[6].

Background

The Corporation believes that the current insurance market in Mongolia is under-served and some Mongolian insurers make it very difficult to collect on claims. There are currently 16 licensed insurance companies operating in the country. While the total insurance premium in Mongolia has been increasing in recent years (see Figure A), the premium to GDP ratio is still only approximately 0.3%, compared to six to eight percent in some developed markets.[7] However, Mongolia is expected by experts to be the fastest growing economy in the world in coming years which opens the doors of opportunity.[8]

Figure A [9]

[6] FRC
[7] FRC
[8] International Monetary Fund
[9] FRC



Plan

The Corporation's goal is to build a reliable insurer that is overcapitalized for all possible claims.

Insurance Competition

As previously noted, there are 16 insurance companies in Mongolia, the largest of these being Mongol Daatgal, Bodi Daatgal, Tenger Daatgal and MIG Daatagal, ranked based on revenue. Mongol Daatgal has been in existence for over 75 years and has achieved wide geographic coverage in the country. However, since the insurance industry was privatized in 2004, Mongol Daatgal's market share has declined quickly as other insurance companies have emerged in the market.

One of the larger up and coming insurance companies that we consider to be competition is Bodi Daatgal which has a large and talented work force. They also have strategic ownership from Bodi Group, a large business group in Mongolia which includes 13 subsidiary companies and six joint ventures. Bodi Group employs over fourteen hundred workers and is continually growing.

The insurance market is highly regulated in Mongolia but these regulations are antiquated in nature and not related to risks that the insurers incur or claims that are estimated or incurred. Management believes that any changes that are enacted will be favourable to Mandal at the disfavour of its competition since Management believes that Mandal is the least leveraged insurer in Mongolia, mainly due to its start-up nature and overcapitalization.

Recently the government of Mongolia passed a law limiting investment into strategic business sectors by foreign firms. Insurance was one such sector. Management believes that the new requirement of a governing body outside of the FRC approving foreign investment in the financial services industry of ownership greater than 15%, and requiring House approval of foreign ownership of greater than 50% will lead to much less future investment in the industry. The Corporation is grandfathered into the insurance industry and as such, is one of the only permitted insurers able to expand with foreign capital.

With the recent privatization of the insurance industry, a continuing threat is the continued entrance of small insurance companies. To help combat this threat, the Corporation's focus over the next five years will be to establish and grow a loyal customer base that will help to stabilize our premiums. Doing so will help to strengthen the Corporation's competitiveness as it will be difficult for the competition to attract these customers. The Corporation understands the importance of educating its clientele and investing in branding its name, which are two of its main goals over the coming years.

In an effort to develop the "Mandal" brand in financial services, the Corporation has hosted media events, a risk forum, the President of Mandal has made numerous TV appearances, Mandal has opened retail branches and has begun a full-fledged outdoor, TV and radio advertising campaign on the benefits of insurance and related risk management.

Specialized Skill and Knowledge

The management team of the Corporation has extensive experience in investing in various industries and sectors around the world. In addition, members of management have participated in all facets of the Corporation's business in prior jobs. Management of the insurance subsidiary of the Corporation have all had extensive experience in both the insurance underwriting industry and general financial services. The Corporation has hired 52 Mongolians of which five are considered to be members of management and four are considered to be members of senior management. These Mongolian employees provide insight tailored to the Mongolian market and specialized knowledge of Mongolian business practices. This has been helpful to the Corporation as none of the founding executives are Mongolian, or speak the Mongolian language.

Insight Tailored to the Mongolian Market

Mongolian property acquisitions have all been completed without a multiple-listing service or a property agency model, which is prevalent in most markets worldwide, including almost all developing markets. The property acquisition team has a unique ability to find, contract and close properties for acquisitions in a short time frame. Management has determined that most of this success is a result of a local perspective, unique negotiating ability and a thorough understanding of the local culture.

Within Mandal General Daatgal LLC many insurance lines, especially in personal lines of business, are of a low severity, high frequency nature, that foreign insight into such lines of business is generally directly useful. The cultural dissimilarity with China, Russia or western culture makes for a very confused foreign perspective and understanding. In more externally marketed products, such as larger commercial lines of business, managers at Mandal General Daatgal LLC have experience in working with foreign owned companies and offering risk solutions that such customers want, in an environment that in many ways is new to such lines of business or risk abatement procedures.

Specialized Knowledge Respecting Mongolian Business Practices

Management believes that the uniqueness of the local culture makes it both difficult for foreigners to operate in Mongolia, without local help, and provides an advantage to foreign firms that operate in a hands-on manner. Mongolian business practices in the construction/renovation industries (contracting, quality of work, etc) are unique because that industry is so new. Practices in the purchase, sale and leasing of properties are also very early in the development cycle given that, as an example, many property transactions in the country are conducted with cash, in bank lobbies. MGG does not acquire properties for cash and the Corporation's ability to operate using wires in a cash based economy demonstrates a certain negotiating skill and local expertise.

Employees

To date, the Corporation employs 73 employees of which 65 are Mongolian nationals. None of our employees are covered by unions or collective bargaining agreements. Our relationships with our employees are excellent, evidenced by low employee turnover, and to the best of our knowledge we are in compliance with all applicable Mongolian employment laws.

Foreign Operations

All of the Corporation's operations are in foreign jurisdictions. International operations are subject to political, economic and other uncertainties, including but not limited to, risk of terrorist activities, revolution, border disputes, expropriation, renegotiations or modification of existing contracts, taxation policies, including tax increases and retroactive tax claims, exchange controls, currency fluctuations, labour disputes and other uncertainties arising out of foreign government sovereignty over the Corporation's international operations. The Corporation's operations may also be adversely affected by applicable laws and policies of Mongolia, the effect of which could have a negative impact on the Corporation.

Seasonality

The business environment in Mongolia exhibits a slight seasonality. Business activity slows down during most of the summer due to the traditional holiday of Naadam and the desire of many Mongolians to spend more time in the countryside with their families. Property business activity also slows down during the winter season due to the extreme cold, which limits new construction, tenants moving, and general business activity. National holidays on and around Mongolian New Years, as well as informal holidays at Christmas, western new years and seasonal parties also severely slow down business activity in Mongolia.

Changes in the Corporation's Business:

The Corporation does not expect to make any significant changes to its business within the next year.

Item 6: Financings

Offerings

On December 23, 2011, the Corporation closed a non-brokered private placement (the "**December Offering**") which raised $15,000,000 through the issuance of 3,846,154 Common Shares at a price of $3.90 per Common Share (the "**December Offering Price**"). The December Offering was conducted on a best efforts basis with no minimum requirement. The December Offering Price was determined by independent committees of the Board. The Common Shares issued as part of the December Offering now trade on the CNSX and OTCBB.

The net proceeds of the December Offering were $15,000,000. The December Offering was conducted in order to raise funds to advance the business units of the Corporation which are currently real estate and insurance, and for general corporate purposes. For a description of the Corporation's other sources of funding, see Item 11 "*Consolidated Capitalization*" and Item 8 "*Management's Discussion and Analysis*".

Funds Available

As at November 30, 2012, the Corporation had approximately $8.5 million in cash and cash equivalents and $1.9 million in short term investments and marketable securities.

Business Objective Achievement

The objectives of the December Offering were met by purchasing property in accordance with the Corporation's evaluation metrics for property investment. The amount of these purchases was $9.4 million. It is expected that surplus proceeds of the December Offering will be used for future property acquisitions in Mongolia.

Item 7: Dividends and Other Distributions

The Corporation has never declared or paid cash dividends and does not anticipate such a declaration or payment for the foreseeable future. Management expects to use future earnings, if any, to fund business growth.

Item 8: Management's Discussion and Analysis

Management's discussion and analysis of the Corporation for the financial year ended December 31, 2011 and the three and nine months ended September 30, 2012 is incorporated by reference and appended hereto as Appendix "C" and Appendix "E" respectively.

These documents are also available through the internet on SEDAR, which can be accessed at www.sedar.com or on the Corporation's website www.mongoliagrowthgroup.com.

Item 9: Disclosure of Outstanding Security Data on Fully Diluted Basis

As at November 30, 2012, there were 34,143,352 Common Shares, nil Preferred Shares issued or outstanding and 1,832,000 Options outstanding. See Item 12 "*Stock Option Plan*" for further details on the Corporation's Stock Option Plan.

The following table sets forth the consolidated capitalization of the Corporation as at November 30, 2012.

Description of Securities	Authorized Capital	As at November 30, 2012
Common Shares	unlimited	34,143,352
Preferred Shares	unlimited	0
Options(1)	3,414,335	1,832,000

Note:

(1) As at November 30, 2012, the Corporation had issued 1,832,000 Options outstanding to purchase the same number of Common Shares at a purchase price ranging from $1.64 to $4.77 per Common Share, with a weighted average exercise price of $3.40 per Common Share. See Item 12 "*Stock Option Plan*".

Item 10: Description of Securities to be Listed

The Shareholders are entitled to receive notice of and attend any meeting of Shareholders and are entitled to one vote for each Common Share held (except at meetings where only the holders of another class of shares were entitled to vote). Shareholders are entitled to receive dividends, if, as and when declared by the Board and, subject to the prior satisfaction of all preferential rights to dividends attaching to all shares of other classes of the Corporation ranking in priority to the Common Shares in respect of dividends.

In addition, the Shareholders are entitled in the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, or any other distribution of the assets of the Corporation among its security-holders for the purpose of winding up its affairs, subject to prior satisfaction of all preferential rights to return of capital on dissolution attached to all shares of other classes of shares of the Corporation ranking in priority to the Common Shares in respect of return of capital on dissolution, to share rateably, together with the holders of shares of any other class of shares of the Corporation ranking equally with the Common Shares in respect of return of capital, in such assets of the Corporation as would have been available for distribution.

Item 11: Consolidated Capitalization

There is no material change to the share and loan capital of the issuer as there is no issuance of the securities of the Corporation in connection with this Listing Application.

The following table sets forth the capitalization of the Corporation as at September 30, 2012 and the date prior to this Listing Application:

	Authorized	Outstanding as at September 30, 2012	Outstanding as at November 30, 2012
Common Shares	Unlimited	$51,676,360 (34,143,352 Common Shares)	$51,676,360 (34,143,352 Common Shares)
Long term debt	N/A	$Nil	$Nil

The Corporation currently has 34,143,352 shares outstanding. The market capitalization as of November 30, 2012 at a market price of $3.75was $128,037,570.

Item 12: Stock Option Plan

1. Purpose of Plan

The purpose of the option plan (the "**Stock Option Plan**") is to develop the interest of Directors, Employees and Consultants of the Corporation in the growth and development of the Corporation by providing them with the opportunity through share purchase Options to acquire an increased proprietary interest in the Corporation. Capitalized terms not otherwise defined have the meanings set forth in Section 15 of this Item or in Policy 1.1 *Interpretation* of the TSX Venture Exchange Corporate Finance Manual.

2. Administration

The Stock Option Plan is administered by the Board, or if appointed, by a committee of directors appointed from time to time by the Board pursuant to rules of procedure fixed by the Board (such committee, or if no such committee is appointed, the Board, is hereafter in this Item referred to as the "**Option Committee**").

3. Stock Exchange Rules

All options granted pursuant to this Stock Option Plan shall be subject to rules and policies of any stock exchange or exchanges on which the common shares of the Corporation are then listed and any other regulatory body having jurisdiction hereinafter (hereinafter collectively referred to as, the "**Exchange**").

4. Granting of Options

The Option Committee may from time to time designate Directors, Employees and Consultants of the Corporation and its subsidiaries (collectively, the "**Optionees**") to whom Options may be granted and the number of Common Shares to be optioned to each, subject to the following (and subject to such additional restrictions and limitations as the policies of the Exchange may impose):

(a) the aggregate number of Common Shares reserved for issuance on exercise of all Options issued under the Stock Option Plan at any given time shall not exceed ten percent of the number of Outstanding Common Shares at such time, subject to the adjustment as set forth in Section 9 of this Item and the other provisions hereof;

(b) the aggregate number of Common Shares reserved for issuance to any one Optionee in a 12 month period shall not exceed five percent of the number of Outstanding Common Shares, unless the Corporation complies with the policies of the Exchange;

(c) the aggregate number of Common Shares reserved for issuance to any one Director, Employee or Consultant under the Stock Option Plan shall not exceed two percent of the number of outstanding Common Shares in any 12 month period;

(d) The aggregate number of Common Shares reserved for issuance to any one Optionee employed to provide Investor Relations Activities in a 12 month period shall not exceed an aggregate of two percent of the number of Outstanding Common Shares;

(e) the aggregate number of Common Shares reserved for issuance to all Eligible Charitable Organizations (as defined in the TSX Venture Corporate Finance Manual) will not exceed one percent of the number of Outstanding Common Shares;

(f) unless the approval of the disinterested shareholders of the Corporation is obtained, the maximum number of Common Shares reserved for issuance pursuant to Options granted to Insiders at any time may not exceed ten percent of the number of Outstanding Common Shares;

(g) unless the approval of the disinterested Shareholders of the Corporation is obtained, the maximum number of Common Shares which may be issued to Insiders within a one year period may not exceed ten percent of the number of Outstanding Common Shares; and

(h) The Common Shares that are reserved for issuance on exercise of Options granted pursuant to this Stock Option Plan that are cancelled, terminated or expire in accordance with the terms of the Stock Option Plan prior to the exercise of all or a portion thereof shall be available for a subsequent grant of Options pursuant to this Stock Option Plan to the extent of any Common Shares issuable thereunder that are not issued under such cancelled, terminated or expired Options.

5. Vesting

(a) The option committee of the Board (the "**Option Committee**") may, in its sole discretion, determine the time during which Options shall vest and the method of vesting, acceleration of vesting (including, without limitation, in the case of a takeover bid or other change of control), or that no vesting restriction shall exist.

(b) Notwithstanding the foregoing, unless otherwise permitted by the Exchange, Options issued to Consultants performing Investor Relations Activities must vest in stages over a period of not less than 12 months, with no more than one quarter of the Options vesting in any three month period.

6. Exercise Price

(a) Subject to the policies of the Exchange, the exercise price (the "**Exercise Price**") of any Option must not be less than the Discounted Market Price.

In the event that the Common Shares are not listed and posted for trading on any stock exchange in Canada, the market price of the Common Shares shall be determined by the Board in its sole discretion. Notwithstanding the foregoing sentence, in the event that there has been a publicly announced take-over bid, amalgamation or other transaction involving the Common Shares, while such transaction is still outstanding, the market price shall be the consideration offered pursuant to such transaction (in the event that the consideration is other than cash, the Board shall determine the cash equivalent for the purpose of this provision).

(b) The Corporation must obtain disinterested Shareholder approval for any reduction in the Exercise Price of an Option that is held by an Insider of the Corporation.

7. Option Terms

The period during which an Option is exercisable shall, subject to the provisions of the Stock Option Plan requiring acceleration of rights of exercise, be such period as may be determined by the Option Committee at the time of grant, provided that no Option may be exercised beyond ten years from the date of grant. Each Option shall, among other things, contain provisions to the effect that the Option shall be personal to the Optionee (except as provided herein). In addition, each Option shall provide that:

(a) upon the death of the Optionee, provided the Optionee was a Service Provider for at least one year following the grant of the Options (unless otherwise determined by the Option Committee), the Option shall terminate on the date determined by the Option Committee, which shall not be more than one year from the date of death; and

(b) unless the directors of the Corporation determine otherwise, if the Optionee shall no longer be a Service Provider to the Corporation, the Option shall terminate on the expiry of the period (the "**Option Termination Date**") not in excess of 90 days, and in the case of Optionees performing Investor Relations Activities, not in excess of 30 days, prescribed by the Option Committee at the time of grant, following the date that the Optionee ceases to be a Service Provider to the Corporation;

provided that the number of Common Shares that the Optionee (or his heirs or successors) shall be entitled to purchase until the Option Termination Date shall be the number of Common Shares which the Optionee was entitled to purchase on the date of death or the date the Optionee ceased to be a Service Provider to the Corporation (other than if the Service Provider is terminated by the Corporation for cause).

8. Exercise of Option

Subject to the Stock Option Plan, an Optionee (or his or her legal personal representative) may exercise from time to time by delivery to the Corporation, at its head office in Thunder Bay, Ontario, of a written notice of exercise specifying the number of Common Shares with respect to which the Option is being exercised and accompanied by payment in full of the purchase price of the Common Shares then being purchased. Upon exercise of the Option, the Corporation will cause to be delivered to the optionee a certificate or certificates, representing such Common Shares in the name of the optionee or the optionee's legal personal representative or otherwise as the optionee may or they may in writing direct.

9. Alterations in Common Shares

In the event, at any time or from time to time, that the share capital of the Corporation shall be consolidated or subdivided prior to the exercise by the Optionee, in full, of any Option in respect of all of the Common Shares granted, or the Corporation shall pay a dividend upon the Common Shares by way of issuance to the holders thereof of additional Common Shares, Options with respect to any Common Shares which have not been purchased at the time of any such consolidation, subdivision or stock dividend shall be proportionately adjusted so that the Optionee shall from time to time, upon the exercise of an Option, be entitled to receive the number of Common Shares he would have held following such consolidation, subdivision or stock dividend if the Optionee had purchased the Common Shares and had held such Common Shares immediately prior to such consolidation, subdivision or stock dividend. Upon any such adjustments being made, the Optionee shall be bound by such adjustments and shall accept the terms of such Options in lieu of the Options previously outstanding.

10. Option Agreements

A written agreement will be entered into between the Corporation and each Optionee to whom an Option is granted hereunder, which agreement will set out the number of Common Shares subject to Option, the Exercise Price, provisions as to vesting and expiry and any other terms approved by the Option Committee, all in accordance with the provisions of this Stock Option Plan. The agreement will be in such form as the Option Committee may from time to time approve or authorize the officers of the Corporation to enter into and may contain such terms as may be considered necessary in order that the Option will comply with this Stock Option Plan, any provisions respecting Options in the income tax or other laws in force in any country or jurisdiction of which the person to whom the Option is granted may from time to time be a resident or citizen, and the rules of any regulatory body having jurisdiction over the Corporation.

11. Regulatory Authorities Approvals

The Stock Option Plan shall be subject to the approval, if required, of any stock exchange on which the Common Shares are listed for trading. Any Options granted prior to such approval shall be conditional upon such approval being given and no such Options may be exercised unless such approval, if required, is given.

12. Amendment or Discontinuance of the Stock Option Plan

The Option Committee may amend or discontinue the Stock Option Plan at any time, provided that no such amendment may, without the consent of the Optionee, alter or impair any Option previously granted to an Optionee under the Stock Option Plan and provided further that any amendment to the Stock Option Plan should be subject to prior approval of any stock exchange on which the Common Shares are listed, as required by such exchange, and approval of the shareholders of the Corporation, if required by such exchange.

13. Common Shares Duly Issued

Common Shares issued upon the exercise of an Option granted hereunder will be validly issued and allotted as fully paid and non-assessable upon receipt by the Corporation of the Exercise Price therefor in accordance with the terms of the Option and the issuance of Common Shares thereunder will not require a resolution or approval of the Board.

14. Transferability

All benefits, rights and options accruing to any Optionee in accordance with the terms and conditions of the Stock Option Plan shall not be transferable or assignable unless to the extent, if any, permitted by the Exchange. During the lifetime of a Optionee any benefits, rights and options may only be exercised by the Optionee.

15. Definitions

In respect of the Stock Option Plan, capitalized terms not otherwise defined in this Item have the meanings set forth below. Notwithstanding the foregoing, where defined terms used herein are also defined in the policies of the Exchange and there are discrepancies between said defined terms, the defined term used in the policies of the Exchange prevail over the defined term used in this Item during such period of time as the Corporation's Common Shares are listed on the Exchange.

(a) A company is an "**Affiliate**" of another company if:

(i) one of them is the subsidiary of the other; or

(ii) each of them is controlled by the same company or individual.

(b) "**company**", unless specifically indicated otherwise, means a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity, other than an individual.

(c) "**Consultant**" means, in relation to the Corporation, an individual or Consultant Corporation, other than an Employee or a Director of the Corporation, that:

(i) is engaged to provide on an ongoing bona fide basis, consulting, technical, management or other services to the Corporation or to an Affiliate of the Corporation, other than services provided in relation to a Distribution;

(ii) provides the services under a written contract between the Corporation or the Affiliate and the individual or the Consultant Corporation;

(iii) in the reasonable opinion of the Corporation, spends or will spend a significant amount of time and attention on the affairs and business of the Corporation or an Affiliate of the Corporation; and

(iv) has a relationship with the Corporation or an Affiliate of the Corporation that enables the individual to be knowledgeable about the business and affairs of the Corporation.

(d) "**Consultant Corporation**" means, for an individual consultant, a company or partnership of which the individual is an employee, shareholder or partner.

(e) "**Directors**" means directors, senior officers and Management Corporation Employees of the Corporation, or directors, senior officers and Management Corporation Employees of the Corporation's subsidiaries to whom Options can be granted in reliance on a prospectus exemption under applicable securities laws.

(f) "**Discounted Market Price**" means the Market Price less the following maximum discounts based on closing price (and subject, not withstanding the application of any such maximum discount, to a minimum price per share of \$0.05 and a minimum exercise price per Warrant or incentive stock option, as the case may be, of \$0.10):

Closing Price	**Discount**
up to \$0.50	25%
\$0.51 to \$2.00	20%
Above \$2.00	15%

(g) "**Distribution**" has the meaning ascribed thereto in the *Securities Act* (Alberta).

(h) "**Employee**" means:

(i) an individual who is considered an employee of the Corporation or its subsidiary under the *Income Tax Act* (Canada) (i.e. for whom income tax, employment insurance and CPP deductions must be made at source);

(ii) an individual who works full-time for the Corporation or its subsidiaries providing services normally provided by an employee and who is subject to the same control and direction by the Corporation over the details and methods of work as an employee of the Corporation, but for whom income tax deductions are not made at source; or

(iii) an individual who works for the Corporation or its subsidiaries on a continuing and regular bona fide basis for a minimum amount of time per week providing services normally provided by an employee and who is subject to the same control and direction by the Corporation over the details and methods of work as an employee of the Corporation, but for whom income tax deductions are not made at source.

(i) "**Exchange**" means the CNSX or the TSX Venture Exchange, or, if the Common Shares are not then listed and posted for trading on such exchange, any stock exchange in Canada on which such Common Shares are listed and posted for trading or any other regulatory body having jurisdiction as may be selected for such purpose by the Board.

(j) "**Insider**", if used in relation to the Corporation, means:

(i) a director or senior officer of the Corporation;

(ii) a director or senior officer of a company that is an Insider or subsidiary of the Corporation;

(iii) a company or individual that beneficially owns or controls, directly or indirectly, voting Common Shares carrying more than ten percent of the voting rights attached to all outstanding voting Common Shares of the Corporation; or

(iv) the Corporation itself if it holds any of its own securities.

(k) "**Investor Relations Activities**" means any activities, by or on behalf of the Corporation or a shareholder of the Corporation, that promote or reasonably could be expected to promote the purchase or sale of securities of the Corporation, but does not include:

(i) the dissemination of information provided, or records prepared, in the ordinary course of business of the Corporation:

(A) to promote the sale of products or services of the Corporation; or

(B) to raise public awareness of the Corporation;

(C) that cannot reasonably be considered to promote the purchase or sale of securities of the Corporation;

(ii) activities or communications necessary to comply with the requirements of:

(A) applicable securities laws; or

(B) the policies of the Exchange or the by-laws, rules or other regulatory instruments of any other self regulatory body or exchange having jurisdiction over the Corporation;

(iii) communications by a publisher of, or writer for, a newspaper, magazine or business or financial publication, that is of general and regular paid circulation, distributed only to subscribers to it for value or to purchasers of it, if:

(A) the communication is only through the newspaper, magazine or publication; and

(B) the publisher or writer receives no commission or other consideration other than for acting in the capacity of publisher or writer; or

(iv) activities or communications that may be otherwise specified by the Exchange.

(l) "**Management Corporation Employee**" means an individual employed by a company or individual providing bona fide management services to the Corporation, which are required for the ongoing successful operation of the business enterprise of the Corporation, but excluding a company or individual engaged in Investor Relations Activities.

(m) "**Outstanding Common Shares**" at the time of any share issuance or grant of Options means the aggregate number of Common Shares that are outstanding immediately prior to the share issuance or grant of Options in question on a non-diluted basis, or such other number as may be determined under the applicable rules and regulations of all regulatory authorities to which the Corporation is subject, including, if listed thereon, the Exchange.

(n) "**Service Provider**" means a Director, Employee or Consultant of the Corporation.

(o) "**subsidiary**" has the meaning ascribed thereto in the *Securities Act* (Alberta) as from time to time amended, supplemented or re-enacted.

The following table presents details of all outstanding Options at November 30, 2012 for the Corporation and all of its subsidiaries for executive officers of the Corporation (past and present), directors who are not also executive officers (past and present), employees (past and present), consultants and any other person holding Options, in each case as a group:

Option holder	**Number of securities under option exercisable into Common Shares**	**Average purchase price of the Common Shares underlying the Option**	**Average market value of Common Shares under option on the date of the grant(1)**	**Average market value of Common Shares under option on November 30, 2012(2)**
Executive officers (past and present) of the Corporation	250,000	4.37	1,092,500	937,500
Directors (past and present) of the Corporation	75,000	4.20	315,000	281,250

Option holder	Number of securities under option exercisable into Common Shares	Average purchase price of the Common Shares underlying the Option	Average market value of Common Shares under option on the date of the grant[(1)]	Average market value of Common Shares under option on November 30, 2012[(2)]
Executive officers (past and present) of a subsidiary of the Corporation not included above	165,000	4.20	693,000	618,750
Directors (past and present) of a subsidiary of the Corporation not included above	50,000	3.18	158,800	187,500
Other employees (past and present) of the Corporation	35,000	4.40	153,950	131,250
Other employees (past and present) of subsidiaries of the Corporation	507,000	4.19	2,126,150	1,901,250
Consultants	750,000	2.25	1,685,150	2,812,500
Other	Nil	Nil	Nil	Nil
TOTAL	1,832,000		6,224,800	6,870,000

Notes:

(1) Subject to the policies of the Exchange, the Exercise Price of any Option shall be fixed by the Option Committee when such Option is granted, provided that, unless the Corporation obtains approval from the Exchange, such price shall not be lower than the Discounted Market Price of the underlying securities.

(2) Values are based on a market price on November 30, 2012 of $3.75.

Item 13: Prior Sales

For the 12 month period preceding the date of this Listing Application, the Corporation has issued the following Common Shares and securities convertible into Common Shares:

Date	Security	Price of Security	Amount	Gross Proceeds
December 2, 2011	Options	$4.25	150,000	Not applicable
December 23, 2011	Common Shares	$3.90	3,846,154	$15,000,000
March 23, 2012	Options	$4.00	190,000	Not applicable
Total	**Common Shares**		**3,846,154**	**$15,000,000**
	Options		**340,000**	**NA**

Trading Price and Volume

The Corporation's Common Shares are currently traded on the CNSX under the symbol "YAK". Recent trading price and volume information are provided in the chart below, as reported by Bloomberg.

Month	High ($)	Low ($)	Volume
2012	**4.65**	**3.25**	**3,458,717**
November	3.85	3.56	296,973
October	3.89	3.51	162,758
September	3.90	3.38	131,869
August	3.77	3.25	296,485
July	3.89	3.54	397,074
June	4.05	3.72	237,697
May	4.25	3.41	315,862
April	4.65	3.85	425,304
March	4.23	3.73	414,817
February	4.35	4.05	285,100

January	4.24	3.90	494,778
2011	**6.04**	**0.60**	**4,458,906**
December	4.35	3.71	647,625
November	4.75	4.11	704,383
October	4.92	4.21	356,525
September	4.95	4.38	360,980
August	5.60	4.50	466,787
July	6.04	4.55	321,899
June	5.00	3.75	302,361
May	6.00	4.03	196,455
April	6.00	2.75	185,226
March	4.45	1.4	370,265
February	1.85	0.6	546,400

The Corporation's Common Shares are currently traded in the United States on the OTCBB under the symbol "MNGGF". Recent trading price and volume information are provided in the chart below, as reported by Bloomberg.

Month	High (US$)	Low (US$)	Volume
2012	**4.72**	**2.63**	**2,343,613**
November	3.87	3.54	233,552
October	3.95	3.61	131,010
September	3.95	3.45	134,864
August	3.70	3.29	203,133
July	3.90	3.47	308.077

June	3.95	3.54	250,220
May	4.26	2.63	375,504
April	4.72	3.95	412,653
March	4.30	3.84	264,388
February	4.39	4.05	204,290
January	4.24	3.87	133,691
2011	**6.28**	**1.07**	**2,588,943**
December	4.31	3.64	409,705
November	4.70	4.03	361,200
October	4.87	4.18	179,113
September	5.04	4.29	274,200
August	5.86	4.58	353,400
July	6.28	4.86	170,200
June	5.12	3.85	169,700
May	6.34	4.24	126,725
April	6.00	2.88	124,250
March	4.53	1.45	237,350
February	1.88	1.07	183,100

Item 14: Escrowed Securities and Securities Subject to Restriction on Transfer

The following table sets forth the number of securities of each class of securities of the Corporation held, to the knowledge of the Corporation, in escrow or that are subject to a contractual restriction on transfer, and the percentage that number represents of the outstanding securities of that class as at November 30, 2012. Escrowed securities are considered any securities held by principals of the Corporation. In addition, certain securities issued for nominal value must be escrowed regardless of whether such securities are held by principals of the Corporation.

Designation of Class	Number of securities held in escrow or that are subject to a contractual restriction on transfer(1)	Percentage of Class
34,143,352 Common Shares	9,722,500 Common Shares and 395,000 Options	28.48%

(1) The Corporation has received a waiver from the escrow restrictions from the TSX Venture Exchange in respect of an aggregate of 1,700,000 Common Shares held by a certain principal of the Corporation. Such waiver was granted on the basis that such principal provide certain undertakings to the TSX Venture Exchange, including the undertaking to resign as an officer or director of the Corporation in the event the undertakings are breached.

As of November 30, 2012, 9,722,500 Common Shares and 395,000 Options held by principals of the Corporation were subject to voluntary escrow restrictions (the "**Restricted Securities**"). According to these escrow restrictions, the Restricted Securities cannot be transferred until February 2, 2014. Such escrow restrictions are not subject to a written escrow agreement.

In connection with its listing on the TSX Venture Exchange, the Corporation intends to enter into an escrow agreement in the form of "Tier 1 Value Security Escrow Agreement", as prescribed by Policy 5.4 - *Escrow, Vendor Consideration and Resale Restrictions* of the TSX Venture Exchange Corporate Finance Manual, in respect of the Restricted Securities. The escrow agreement will be between the principals holding the Restricted Securities and Olympia Trust Company, as escrow agent. This escrow agreement will be in place of the restrictions currently placed on the Restricted Securities.

Pursuant to the escrow agreement and Policy 5.4 - *Escrow, Vendor Consideration and Resale Restrictions* of the TSX Venture Exchange Corporate Finance Manual, the Restricted Securities will be subject to the release dates outlined below. The only condition to the release of the Restricted Securities from escrow is the passage of time.

Release Date	Number of Common Shares Released from Escrow	Percentage of Common Shares Released from Escrow
Date of listing of the Common Shares on the Exchange ("**Listing Date**")	2,430,625 Common Shares and 98,750 Options	25%
Six months following the Listing Date	2,430,625 Common Shares and 98,750 Options	25%

Release Date	Number of Common Shares Released from Escrow	Percentage of Common Shares Released from Escrow
One year following the Listing Date	2,430,625 Common Shares and 98,750 Options	25%
Eighteen months following the Listing Date	2,430,625 Common Shares and 98,750 Options	25%

Item 15: Principal Securityholders

To the best of the Corporation's knowledge no person, other than Harris Kupperman, the Corporation's President and CEO, beneficially owns directly or indirectly, or exercises control or direction over, ten percent or more of the votes attached to the Common Shares. Mr. Kupperman beneficially owns 5,250,000 (15.4%) of the Common Shares of the Corporation.

Item 16: Directors and Executive Officers

Below are the names and occupations of the Corporation's directors and executive officers:

Name, Place of Residence and Position Held with the Corporation	Principal Occupation for the Past Five Years	Date First Appointed as an Officer / Director	Common Shares Held	Number of Options	% of total Common Shares held
Harris Kupperman President, Chief Executive Officer and Chairman Miami, FL, USA	President and CEO of the Corporation since February 2011 and President of Praetorian Capital, a hedge fund based in Miami Beach, Florida since 2003.	February 2, 2011	5,250,000	0	15.4%
Jordan Calonego Director,Chief Operating Officer and Interim Corporate Secretary Thunder Bay, ON, Canada	Chief Operating Officer of the Corporation since February 2011, Interim Corporate Secretary of the Corporatation since December 19, 2012, Equities Analyst at Exponent Investment Management since June 2011 and Corporate Secretary of CalNor Thunder Bay since 2000.	February 2, 2011	2,000,000	0	5.9%
Matthew Aiken Chief Financial Officer Thunder Bay, ON, Canada	Chief Financial Officer of the Corporation since May 2011. Prior to this date, Mr. Aiken was an Audit Manager at BDO Canada.	May 16, 2011	10,000	250,000	0.03%
Paulo Bilezikjian Director (1) (2) (3) Sao Paulo, Brazil	Chief Investment Officer for Treviso Investments in Sao Paulo, Brazil since 2008. Prior to 2008, Mr. Bilezikjian was a Portfolio Manager for Credit Suisse Hedging Griffo. *(Treviso Investments is an investment partnership)*	February 2, 2011	752,500	0	2.2%
Bill	President of Fleckenstein Capital	February 2, 2011			

Name, Place of Residence and Position Held with the Corporation	Principal Occupation for the Past Five Years	Date First Appointed as an Officer / Director	Common Shares Held	Number of Options	% of total Common Shares held
Fleckenstein Director (1) (2) (3) Seattle, WA, USA	since 1996. *(Fleckenstein Capital is an investment partnership)*		2,625,000	0	7.7%
Paul Sweeney Director (1) (2) (3) Vancouver, BC, Canada	Independent business consultant since May 2011. Commercial Advisor and Senior Executive for Plutonic Power Corp. from January 2007 to May 2011.	February 2, 2011	735,000	0	2.2%
Byambaa Losolsuren Director Ulaanbaatar, Mongolia	Sr. Economist at UMC Capital LLC since 2010. Investment Officer at the Asian Development Bank from 2008 to 2010. Consultant to the Financial Regulatory Commission of Mongolia from 2006 to 2008. *(UMC Capital LLC is a Limited Liability Corporation focused on financial consultancy and managing various joint ventures with foreign capital)*	April 25, 2011	0	75,000	0%
Ganzorig Ulziibayar President of Mandal General Insurance Ulaanbaatar, Mongolia	President of Mandal General Insurance since March 2011. CEO of Tenger Insurance from July 2008-March 2011. Advisor at Khas Bank, from February 2008 – June 2008. Deputy Director at Ulaanbaatar City Bank from January 2006 – February 2008.	March 9,2011	50,000	70,000	0.15%
Enkhtuvshin Baldan	CFO of Mandal General Insurance since March 2011. Chief Officer of Transport Development Bank of Mongolia from August 2009 – March 2011. Chief Officer of International Payment Department from June 2006-August 2009.	March 9, 2011	0	0	0%
Davaanyam Myagmar	CEO of Mandal General Insurance since March 2011. Executive Vice President at Tenger Insurance from April 2008 to March 2011. General Manager at Mongol Insurance from March 2005 to April 2008.	March 9, 2011	0	65,000	0%

Notes:
(1) Member of the Audit Committee.

(2) Member of the Compensation Committee.
(3) Member of the Nominating and Corporate Governance Committee.

As at November 30, 2012, the directors and executive officers of the Corporation beneficially owned, or controlled or directed, directly or indirectly: an aggregate of 11,422,500 Common Shares, representing 33.58% of the 34,143,352 issued and outstanding Common Shares as at that date; and 460,000 Options to purchase Common Shares, representing 25.1% of the 1,832,000 outstanding Options to purchase Common Shares as at that date.

Directors are elected to serve until the next annual meeting of Shareholders and until their successors are elected and qualified. Officers are elected by the Board and serve until their successors are appointed by the Board.

Experience as a Director or Officer of any Other Reporting Issuer

Name	Name and Jurisdiction of Reporting Issuer	Name of Trading Market	Position	From	To
Harris Kupperman	Aeroquest International Limited	TSX	Director	2010	2012
Paulo Bilezikjian	Lupaka Gold Corp. (Formerly Andean American Gold Corp.)	TSX-V	Director (Formerly Chairman of the Board of Directors)	2009	Present
Bill Fleckenstein	Pan American Silver Corp.	NASDAQ TSX	Lead Director	2000	2011
Paul Sweeney	Plutonic Power Corporation	TSX	Executive VP	2007	2011
	Canico Resource Corp.	TSX	VP and CFO	2002	2005
	Tahoe Resources Inc.	TSX	Director	2010	Present
	Polaris Minerals Corporation	TSX	Director	2005	Present
	Alterra Power Corp.	TSX	Director	2011	Present
	Pan American Silver Corp.	TSX	Director	1999	2010
	Pacific Rim Mining Corp.	TSX	Director	2003	2009
	New Gold Inc.	TSX	Director	2006	2009

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

No director or executive officer of the Corporation is, as at the date hereof, or was within 10 years before the date hereof, a director, chief executive officer or chief financial officer of any company (including the Corporation), that:

(a) was subject to an order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or

(b) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

For the purposes of the above, "order" means (a) a cease trade order; (b) an order similar to a cease trade order; or (c) an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days.

No director or executive officer of the Corporation, or a shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation

(a) is, as at the date hereof, or has been within the 10 years before the date hereof, a director or executive officer of any company (including the Corporation) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, or

(b) has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

Conflicts of Interest

There are no existing or potential material conflicts of interest between the Corporation nor a subsidiary of the Corporation and a director or officer of the Corporation or of a subsidiary of the Corporation.

Business and Technical Advisors

The Corporation does not currently have any business or technical advisors.

Item 17: Executive Compensation

Compensation Discussion and Analysis

The Board, with recommendations from the Compensation Committee, determines the executive compensation policy for the executives of Corporation. The Compensation Committee is appointed by the Board to assist the Board in discharging its duties and responsibilities with respect to officer and director compensation and executive officer succession planning. In addition, the Compensation Committee satisfies itself that the Corporation's human resources practices and policies are at all times in compliance with applicable laws and regulations and that Corporation adheres to the highest ethical and moral standards. At this point, the two founding officers, Harris Kupperman and Jordan Calonego, have chosen not to receive any form of compensation (salary, bonus or Options).

Compensation Philosophy

The Compensation Committee determines the "total direct compensation" of the Named Executive Officers based upon the philosophy that such compensation will be dependent upon both corporate and individual performance. The total direct compensation for each of the Named Executive Officers is determined each year by the Compensation Committee, acting reasonably and in accordance with the general philosophy, and consists of salary, a short-term incentive award and a long-term incentive award. In particular, total direct compensation is determined each year by the Compensation Committee, based on the performance of both the Corporation as compared to other public entities of comparable size and complexity, as well as the compensation of the executives as compared or matched to other individuals employed in a comparable position by an employer whose business is comparable to the Corporation's business.

The Chief Executive Officer presents recommendations and the rationale for compensation for all executives and staff, with a lower level of review performed at the staff levels. To date, the executives have all received similar compensation packages, as this most accurately reflects the way the Corporation's structure is managed. Executives are not permitted to purchase financial instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds that are designed to hedge or offset a decrease in market value of equity securities granted or held and the Compensation Committee does not anticipate making any significant changes to its compensation policies and practices in 2012.

Compensation Committee Composition

The Compensation Committee is comprised entirely of independent directors of the Corporation within the meaning of NI 52-110. As of the date hereof, the members of the Compensation Committee are Paul Sweeney, Bill Fleckenstein and Paulo Bilezikjian. Each of Mssrs. Sweeney, Fleckenstein and Bilezikjian has experience acting as directors of publicly traded companies and has the required skill set to allow them to serve on the Compensation Committee. To fulfil its responsibilities and duties, the Compensation Committee: (a) reviews and approves corporate goals and objectives relevant to the Chief Executive Officer's compensation; (b) evaluates the Chief Executive Officer's performance in light of those corporate goals and objectives, and make recommendations to the Board with respect to the Chief Executive Officer's compensation level based on its evaluation; (c) reviews the recommendations the

Chief Executive Officer makes to the Compensation Committee respecting the appointment, compensation and other terms of employment of the Chief Financial Officer, all senior management reporting directly to the Chief Executive Officer and all other officers appointed by the Board of Directors and, if advisable, approves and recommends for Board approval, with or without modifications, any such appointment, compensation and other terms of employment; (d) reviews executive compensation disclosure before the issuer publicly discloses this information; (e) prepares an annual report for inclusion in the Corporation's management information circular to Shareholders respecting the process undertaken by the Compensation Committee in its review and prepares recommendations in respect of compensation of the Chief Executive Officer; (f) reviews and assesses the adequacy of its mandate on at least an annual basis.

Compensation Elements and Compensation Decisions

The Compensation Committee's objective is to ensure that executive compensation: rewards performance; is market-competitive and internally equitable; and is aligned with the short-term and long-term interests of the Shareholders. The Corporation's compensation plans and programs are periodically reviewed to recognize the dynamic and competitive environment within which it operates. The Corporation's executive compensation for the 2011 fiscal year was comprised of two primary components: (i) base salary; (ii) a long-term incentive plan, which consisted of grants of options.

The Compensation Committee reviews the performance achievements of the Chief Executive Officer and receives reports from the Chief Executive Officer regarding corporate performance, relative corporate performance and details regarding individual efforts from other executive officers.

Peer compensation analysis is considered for comparative purposes from a market peer group of companies of comparable scope as measured by complexity, market value, revenues, assets and number of employees that operate in the real estate sector. These external measures are only used as guideposts. The Compensation Committee uses significant discretion to determine actual compensation.

Base Salary

The base salaries of the Named Executive Officers provide compensation that is comparable to its competitors in order to retain its personnel. Salaries are reviewed annually and are determined based on a comparative analysis of other public companies, which are operating in the real estate sector. Consideration is given to the objective to attract and retain highly talented individuals from the industry. After the review, the Compensation Committee makes a formal recommendation to the Board of Directors.

Bonuses

Bonuses are intended to motivate and reward executive officers for achieving and surpassing annual corporate and individual goals. Annual discretionary performance bonuses are based upon operational and financial performance, as measured primarily by production growth and funds flow from operations, and personal performance objectives. All bonuses are approved by the Compensation Committee and the Board. For the year ended December 31, 2011, there were no bonuses granted (as described below) to the Named Executive Officers.

Long-Term Incentives

With respect to long-term incentives, each year executives may be awarded Options to purchase Common Shares. Long-term incentives provide a competitive performance-based component to compensation and facilitate employee retention and alignment to Shareholders' value creation through net asset value per Common Share. The amount of the long-term incentive award for each year is determined by the Compensation Committee based on normal ranges for the executive's target compensation level, as determined by reference to the applicable position in the executive compensation peer group and applicable corporate performance, and shall generally be determined to bring the executive's total direct compensation to the appropriate level after taking into account salary and short-term incentive payments. In order to provide an executive with the appropriate "total direct compensation" in accordance with the total compensation philosophy and principles that govern the Compensation Committee, the Board may award additional Options. The Board takes into account previous option grants to a particular individual when considering new grants. Options are granted at the trading price of the Common Shares in the market at the time of grant.

Implications of Risks Associated with Compensation Policies

The Corporation operates in an industry environment in which excellence in risk management is critical. For this reason, the Corporation places a high premium on effective risk management, including safety, security, health, environmental, financial and reputational risks. The Corporation recognizes that certain compensation programs, both employee and executive, could promote unintended behaviours that may, in certain circumstances, be misaligned with the Shareholders' interests. The Compensation Committee seeks to ensure that the executive compensation programs and practices of the Corporation are designed to encourage appropriate risk assessment and risk management and to align the interests of the executive officers with those of the Corporation and its Shareholders. The underlying principles inherent in the Corporation's executive compensation program, which include a considerable focus on long-term value creation and share appreciation are intended to discourage taking risks that are adverse to the Corporation's interests and inconsistent with the compensation strategies of the Corporation. The design of the compensation program helps reinforce these priorities and ensures that compensation granted over multiple years and the shareholding net worth of senior executives is linked to the performance of the Corporation's Common Shares and resulting shareholder value.

Executives are not permitted to purchase financial instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds that are designed to hedge or offset a decrease in market value of equity securities granted or held and the Compensation Committee does not anticipate making any significant changes to its compensation policies and practices in 2012.

Aspects of executive compensation that are designed to manage risk and to ensure that compensation is tied to long-term shareholder value include the following:

- a portion of the Corporation's executive compensation package is comprised of "at risk" elements, specifically option-based awards and short-term incentive bonus. This "at risk" compensation aligns executive and Shareholder interests mainly because lower Shareholder returns adversely impact the calculation of short and long-term incentives;

- two year vesting of stock options ensures a focus on both immediate performance and longer term value creation;

- while the Corporation does not have a minimum shareholding level for executive officers, the Compensation Committee is satisfied that each of the Named Executive Officers maintains a significant equity position in the Corporation through ownership of Common Shares and/or options, such that each of the executives has an existing stake in maximizing long-term shareholder value; and

- the Compensation Committee maintains discretion to increase or decrease compensation depending on the performance of the Corporation in any given year, and will consider aspects of corporate risk in making those determinations.

In addition to these compensation program elements, the Corporation actively encourages a corporate culture which facilitates and rewards leadership, ethical behaviour, transparency and honesty.

Given the approaches mentioned above, together with the focussed operations of the Corporation and relative early stage of development, the Compensation Committee feels that it can manage compensation risk effectively through its oversight and review of compensation on an annual basis.

The following table sets forth information concerning the total compensation paid or accrued by certain of the Corporation's executives during the last three fiscal years ended December 31, 2011 to (i) all individuals that served as chief executive officer or acted in a similar capacity for the Corporation at any time during the fiscal year ended December 31, 2011; (ii) all individuals that served as chief financial officer or acted in a similar capacity for the Corporation at any time during the fiscal year ended December 31, 2011; and (iii) all individuals that served as executive officers of the Corporation at any time during the fiscal year ended December 31, 2011 that received annual compensation during the fiscal year ended December 31, 2011 in excess of $150,000. The Compensation Committee of the Board is responsible for determining executive compensation.

Summary Compensation Table

					Non-equity incentive plan compensation ($)				
Name and principal position	**Year**	**Salary ($)[2]**	**Share-based awards ($)**	**Option based awards[1] ($)**	**Annual incentive plans**	**Long term incentive plans**	**Pension value ($)**	**All other compens ation ($)**	**Total compensation ($)**
Harris Kupperman,	2011	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
President and Chief	2010	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Executive Officer	2009	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Matthew Aiken, Chief	2011	$47,055	Nil	$188,528	Nil	Nil	Nil	Nil	$235,583
Financial Officer	2010	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	2009	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Jordan Calonego,	2011	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(Served as interim	2010	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Chief Financial Officer from February 2011 until May 2011)	2009	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes:

(1) Based on the grant date fair value of the applicable Options. This amount was not paid to the above noted individuals but is based on value attributed to the Options using the Black-Scholes option pricing model with assumptions of no dividends during the exercise periods, stock volatility of 90% and a risk-free rate of 2.49%.

(2) Matthew Aiken's annualized salary during the year was $70,000 as he began employment on May 16, 2012.

Outstanding Equity Awards at Fiscal Year-End

The Corporation did not have any share-based awards outstanding at the end of the most recently completed financial year.

The following table sets forth for each Named Executive Officer all option-based awards outstanding at the end of the year ended December 31, 2011

Option Awards

	Option-based Awards			
Name	**Number of securities underlying unexercised options (#)**	**Option exercise price ($)**	**Option expiration date**	**Value of unexercised in-the-money options ($)[1]**
Harris Kupperman, President, Chief Executive Officer and Chairman	Nil	n/a	n/a	Nil
Matthew Aiken, Chief Financial Officer	175,000 75,000	$4.20 $4.77	April 25, 2016 Sept. 7, 2016	$0 $0
Jordan Calonego, (Served as interim Chief Financial Officer from February 2011 until May 2011)	Nil	n/a	n/a	Nil

Note:

(1) Based on the grant date fair value of the applicable Options. This amount was not paid to the above noted individuals but is based on value attributed to the Options using the Black-Scholes option pricing model with assumptions of no dividends during the exercise periods, stock volatility of 90% and a risk-free rate of 2.65% and 1.61%.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets forth for each Named Executive Officer, the value of option-based awards which vested during the year ended December 31, 2011 and the value of non-equity incentive plan compensation earned during the year ended December 31, 2011. The Corporation did not have any option-based awards that vested during the year and there were no share-based awards outstanding at the end of the most recently completed financial year.

Name	Option based awards – Value vested during the year[1] ($)	Share based awards – Value vested during the year ($)	Non equity incentive plan compensation – Value earned during the year ($)
Harris Kupperman, President, Chief Executive Officer and Chairman	Nil	Nil	Nil
Matthew Aiken, Chief Financial Officer	Nil	Nil	Nil
Jordan Calonego, (Served as interim Chief Financial Officer from February 2011 until May 2011)	Nil	Nil	Nil

Note:

(1) Based on the grant date fair value of the applicable Options. This amount was not paid to the above noted individuals but is based on value attributed to the Options using the Black-Scholes option pricing model with assumptions of no dividends during the exercise periods, stock volatility of 90% and a risk-free rate of 2.65% and 1.61%.

Employment Agreements with Executive Officers

The Corporation entered into an employment agreement with Matthew Aiken, CA, its Chief Financial Officer, effective as of April 2, 2011 whereby it agreed to pay Matthew Aiken an annual salary of $70,000 and to grant him 150,000 Options for his employment with the Corporation in 2011. The Board later agreed to maintain Mr. Aiken's salary at $70,000 but grant him a total of 250,000 Options for his 2011 compensation. There are no other current employment contracts between the Corporation and any Named Executive Officer, nor are there any other current agreements between the Corporation and any Named Executive Officer that provide for payment to the Named Executive Officers in the event of termination of employment or change of control of the Corporation.

DIRECTOR COMPENSATION

The Corporation does not currently pay cash fees for services to its independent directors. Ms. Losolsuren is the only current director to participate in the Stock Option Plan.

Stock Option Discussion and Analysis

On April 25, 2011, the Corporation granted Options to purchase a total of 75,000 Options to Byambaa Losolsuren, one of the directors of the Corporation, exercisable at a price of $4.20 per Common Share. The Options vest after two years and expire on April 25, 2014.

The Corporation recorded stock based compensation of $37,660 as the fair value of these Options. The fair value was calculated using the Black-Scholes option pricing model with a volatility of 90%, a term of three years, a risk-free interest rate of 2.49% and no expectation of dividends.

As at November 30, 2012, 75,000 Options granted to directors to purchase Common Shares at $4.20 per Common Share, expiring April 25, 2014, are outstanding.

Compensation of Non-Employee Directors

The following table sets forth information regarding compensation accrued to the Corporation's non-employee directors for the year ended December 31, 2011.

Name	Fees earned ($)	Share based awards ($)	Option-based awards[1] ($)	Non-equity incentive plan compensation ($)	Pension value ($)	All other compensation ($)	Total($)
William Fleckenstein	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Paulo Bilezikjian	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Paul Sweeney	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Byambaa Losolsuren	Nil	Nil	$37,660	Nil	Nil	Nil	$37,660

Note:

(1) Calculated using the Black-Scholes option pricing model with a volatility of 90%, a term of three years, a risk-free interest rate of 2.49% and no expectation of dividends. .

Directors' Outstanding Option-Based Awards and Share-Based Awards

The following table sets forth for each of our directors other than directors who are also Named Executive Officers, all option-based awards outstanding at the end of the year ended December 31, 2011. The Corporation does not have any outstanding share-based awards.

	Option-based Awards			
Name	Number of securities underlying unexercised options (#)	Option exercise price ($)	Option expiration date	Value of unexercised in-the-money Options[1] ($)
William Fleckenstein	Nil	n/a	n/a	Nil
Paulo Bilezikjian	Nil	n/a	n/a	Nil
Paul Sweeney	Nil	n/a	n/a	Nil
Byambaa Losolsuren	75,000	$4.20	April 25, 2014	$0

Note:

(1) Calculated using the Black-Scholes option pricing model with a volatility of 90%, a term of three years, a risk-free interest rate of 2.49% and no expectation of dividends..

Directors' Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets forth for each of our directors other than directors who are also Named Executive Officers, the value of option-based awards which vested during the year ended December 31, 2011 and the value of non-equity incentive plan compensation earned during the year ended December 31, 2011. The Corporation did not have any option-based awards that vested during the year and there were no share-based awards outstanding at the end of the most recently completed financial year.

Name	Option based awards – Value vested during the year ($)	Share based awards – Value vested during the year ($)	Non equity incentive plan compensation – Value earned during the year ($)
William Fleckenstein	Nil	Nil	Nil
Paulo Bilezikjian	Nil	Nil	Nil
Paul Sweeney	Nil	Nil	Nil
Byambaa Losolsuren	Nil	Nil	Nil

See Item 12 – "*Stock Option Plan*" for a summary of the Stock Option Plan.

Item 18: Indebtedness of Directors and Executive Officers

As of November 30, 2012, no individual that is, or at any time during the most recently completed financial year was an executive officer, director, employee or former executive officer, director or employee of the Corporation or any of its subsidiaries, and no associate of any such individual, is, or at any time since the beginning of the most recently completed financial year of the Corporation has been, indebted to the Corporation or any of its subsidiaries or to another entity where such indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or any of its subsidiaries.

Item 19: Audit Committees and Corporate Governance

CORPORATE GOVERNANCE

Board of Directors

Directors are considered to be independent if they have no direct or indirect material relationship with the Corporation. A "material relationship" is a relationship which could, in the view of the corporation's Board, be reasonably expected to interfere with the exercise of a director's independent judgment.

Management has been delegated the responsibility of managing the business of the Corporation. Through the Audit Committee, the Board examines the effectiveness of the Corporation's internal control processes and information systems.

The following members of the Board are independent in accordance with Section 1.4 of NI 52-110: William Fleckenstein, Paulo Bilezikjian, Byambaa Losolsuren and Paul Sweeney.

The non-independent directors are Harris Kupperman, President and Chief Executive Officer, and Jordan Calonego, Chief Operating Officer.

The majority of the Board is currently independent; however the Chair of the Board, Harris Kupperman, is not independent.

Other Directorships

Name of Director	Name of Other Issuer
Paul Sweeney	Polaris Minerals Corporation
	Alterra Power Corp.
	Tahoe Resources Inc.
Paulo Bilezikjian	Lupaka Gold Corp.

The independent directors hold infrequent in camera sessions throughout the year.

Orientations and Continuing Education

The Board has not yet adopted any formal orientation or continuing education program for directors. If new directors are added, the current directors and officers will assist the new directors to become familiar with the Corporation.

Ethical Business Conduct

The Board has not adopted guidelines or attempted to quantify or stipulate steps to encourage and promote a culture of ethical business conduct but does promote ethical business conduct through the nomination of board members it considers ethical, through avoiding or minimizing conflicts of interest, and by having a sufficient number of its independent Board members address all corporate matters which rightly fall before a board of directors of a public corporation.

In the year ended December 31, 2011, 11 Board meetings were held. The attendance record of each Director for the Board meetings held is as follows:

Board Member	Meetings Attended
Harris Kupperman	10
Jordan Calonego	10
Bill Fleckenstein	11
Paul Sweeney	11
Paulo Bilezikjian	10
Byambaa Losolsuren	6[(1)]

Note:
(1) Byambaa Losolsuren joined the Board on April 25, 2011.

The text of the Corporation's Board Mandate is appended hereto as Appendix "B".

There are currently written job descriptions for each committee chairperson and all officers of the Corporation.

Nomination of Directors

The Corporation has a corporate governance and nominating committee ("**Governance Committee**") consisting of three members. The purpose of the Governance Committee is to assist the Board of the Corporation in fulfilling its corporate governance and director nomination responsibilities.

The Governance Committee shall, in consultation with the chairperson of the Board and the Chief Executive Officer of the Corporation, annually or as required, recruit and identify individuals qualified to become new Board members and recommend to the Board new director nominees for the next annual meeting of Shareholders.

Compensation Committee

The Board has formed a Compensation Committee responsible for reviewing all overall compensation strategy, objectives and policies; annually reviewing and assessing the performance of the executive officers; recommending to the Board the compensation of the executive officers; reviewing executive appointments; and recommending the adequacy and form of directors' compensation.

This Committee meets at least once annually. The members of the Compensation Committee are Paulo Bilezikjian, Paul Sweeney and William Fleckenstein, all of whom are independent. These directors have the responsibility for determining compensation for the directors and Management.

The Board makes decisions regarding the salaries and annual bonuses for the executive officers based on recommendations made by the Compensation Committee. The Board makes decisions regarding retainers and fees for directors based on recommendations made by the Governance Committee. The Compensation Committee attempts to take a balanced approach to executive compensation by providing both short and long-term incentive plans tied to performance. Each executive position is reviewed periodically in terms of salary, bonus, long-term incentives (such as Options) and actual performance. In regards to long-term incentives (such as Options), the Board or the Compensation Committee may recommend to the Board, from time to time, to grant Options to the Corporation's executive officers and directors under the Stock Option Plan.

Assessments

The Board monitors but does not formally assess the performance of individual Board members or committee members or their contributions. Effectiveness is subjectively measured by comparing actual corporate results with stated objectives. The contributions of an individual director is informally monitored by the other Board members, having in mind the business strengths of the individual and the purpose of originally nominating the individual to the Board.

AUDIT COMMITTEE

The Audit Committee's Charter

The text of the Corporation's audit committee (the "**Audit Committee**") charter is appended hereto as Appendix "A".

Composition of the Audit Committee

NI 52-110 provides that a member of the Audit Committee is independent if the member has no direct or indirect material relationship with the corporation. A material relationship means a relationship which could, in the view of the Board, reasonably interfere with the exercise of a member's independent judgment.

NI 52-110 further provides that a member of the Audit Committee is considered financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the corporation.

The current members of Audit Committee are Paul Sweeney, William Fleckenstein and Paulo Bilezikjian. The Board has determined that each member of the Audit Committee is independent in accordance with Section 1.4 of NI 52-110 and that each member of the Audit Committee is financially literate in accordance with NI 52-110.

Relevant Education and Experience

Name and Place of Residence	Independent	Financially Literate	Relevant Education and Experience
Paul Sweeney Surrey, BC, Canada	Yes	Yes	Mr. Sweeney is an independent business consultant. During 2011 he was a consultant to Keegan Resources, a junior gold mining company, and prior to that a commercial advisor for Plutonic Power Corporation, an independent power producer. He was an independent business and financial consultant from 2005 to 2007, after having served, among other roles, as Chief Financial Officer for both Canico Resource Corp. (acquired by Vale) and Sutton Resources (acquired by Barrick Gold). Mr. Sweeney has previously served as a Director of Magma Energy, Canico Resource Corp., Manhattan Minerals, Sutton Resources, Pan American Silver Corp., Pacific Rim Mining and New Gold Inc. He presently serves as a director of Polaris Minerals Corporation, Alterra Power. Corp and Tahoe Resources Inc.

Name and Place of Residence	Independent	Financially Literate	Relevant Education and Experience
Paulo Bilezikjian Sao Paulo, Brazil	Yes	Yes	Mr. Bilezikjian is presently the Chief Investment Officer for Treviso Investments (Sao Paulo, Brazil) and previously served as Chairman for Andean American Gold Corp. (AAG) (now Lupaka Gold Corp.). Previously, Mr. Bilezikjian was a Portfolio Manager for Credit Suisse Hedging Griffo (Sao Paulo, Brazil).
William Fleckenstein Seattle, WA, USA	Yes	Yes	Mr. Fleckenstein is President of Fleckenstein Capital, a money management firm based in Seattle, U.S.A. From 1997 to 2011, he was a Director for Pan American Silver Corp, serving as the Lead Director from 2000 to 2011.

Audit Committee Oversight

Since the commencement of the Corporation's most recently completed financial year, the Board has not failed to adopt a recommendation of the Audit Committee to nominate or compensate an external auditor.

Pre-Approval Policies and Procedures

The Audit Committee has not adopted specific policies and procedures for the engagement of non-audit services but all such services will be subject to prior approval of the Audit Committee.

Auditor and Audit Fees

PricewaterhouseCoopers LLP are the current auditors for the Corporation.

External Auditor Services Fees

The aggregate fees billed by the Corporation's auditors for the years ended December 31, 2010 and 2011 are as follows:

Financial Period	Audit Fees	Audit-Related Fees	Tax Fees	All Other Fees
Year ended December 31, 2010	$8,463	Nil	Nil	Nil
Year ended December 31, 2011	$447,247	Nil	$37,439	$38,051

Item 20: Agent, Sponsor or Advisor

Northern Securities Inc
145 King St. W, Suite 2020
Toronto ON M5H 1J8
Telephone: (416) 644-8100
Fax: (416) 644-0270

Northern Securities Inc. does not own shares in the Corporation. Northern Securities Inc. has been hired by the Corporation to sponsor this Listing Application for fees of $62,500, and not contingent on a successful listing on the TSXV.

Item 21: Risk Factors

The operations of the Corporation are subject to a number of risk factors, each of which should be considered by potential investors in the Corporation. This section describes some, but not all of the risks associated with the continued operation of the Corporation. In addition to the other information contained in this Listing Application, prospective investors should carefully consider the following risk factors, which may have a material adverse effect on the Corporation's business, financial condition or results of operations.

The risk factors described herein do not purport to be a complete explanation of all risks involved in purchasing the Common Shares.

RISKS RELATED TO OUR BUSINESS AND FINANCIAL CONDITION

The Corporation may be unable to obtain additional capital that we will require to implement our business plan, which could restrict our ability to grow.

The Corporation's current capital and other existing financial resources may not be sufficient to enable us to execute our business plan. The Corporation may not have funds sufficient for any initial investments the Corporation might want to undertake. Currently, the Corporation is generating only limited revenues. The Corporation will require additional capital to continue to operate our business beyond the initial phase. The Corporation may be unable to obtain the additional capital required. Furthermore, inability to obtain capital may damage our reputation and credibility with industry participants in the event the Corporation cannot close previously announced transactions.

The Corporation will require additional capital in the near term and the Corporation plans to pursue sources of such capital through various financing transactions or arrangements, including joint venturing of projects, debt financing, equity financing or other means. The Corporation may not be successful in locating suitable financing transactions in the time period required or at all, and the Corporation may not obtain the capital the Corporation requires by other means. Although improving considerably, the turmoil in the world capital markets over the past couple of years has made it difficult for companies to raise funds. If the Corporation does succeed in raising additional capital, the capital received may not be sufficient to fund our operations going forward without obtaining further, additional capital financing. Furthermore, future financings are likely to be dilutive to our Shareholders, as the Corporation will most likely issue additional Common Shares or other equity to investors in future financing transactions. In addition, debt and other mezzanine financing may involve a pledge of assets and may be senior to interests of equity holders. The Corporation may incur substantial costs in pursuing future capital financing, including investment banking fees, legal fees, accounting fees, securities law compliance fees, printing and distribution expenses and other costs. The Corporation may also be required to recognize non-cash expenses in connection with certain securities the Corporation may issue, such as convertibles and warrants, which will adversely impact our financial results.

The Corporation may not be able to effectively manage our growth, which may harm our profitability.

Our strategy envisions building and expanding our business. If the Corporation fails to effectively manage our growth, our financial results could be adversely affected. Growth may place a strain on our management systems and resources. The Corporation must continue to refine and expand our business development capabilities, our systems and processes and our access to financing sources. As the

Corporation grows, the Corporation must continue to hire, train, supervise and manage new employees. The Corporation cannot assure investors that the Corporation will be able to:

- expand our systems effectively or efficiently or in a timely manner;
- optimally allocate our human resources;
- identify and hire qualified employees or retain valued employees; or
- incorporate effectively the components of any business that the Corporation may acquire in our effort to achieve growth.

If the Corporation is unable to manage our growth and our operations, our financial results could be adversely affected by inefficiency, which could diminish profitability.

An active market for our Common Shares may not continue.

There currently is a limited public market for the Corporation's Common Shares. Further, although the Corporation's Common Shares are currently quoted on the OTCBB and trade on the CNSX, trading of our Common Shares may be sporadic. As a result, an investor may find it difficult to dispose of, or to obtain accurate quotations of the price of our Common Shares. This may severely limit the liquidity of the Corporation's Common Shares, and would likely have a material adverse effect on the market price of the Corporation's Common Shares and on our ability to raise additional capital.

If securities analysts do not initiate coverage or continue to cover our Common Shares or publish unfavourable research or reports about our business, this may have a negative impact on the market price of our Common Shares.

The trading market for our Common Shares may be affected by, among other things, the research and reports that securities analysts publish about our business and the Corporation. The Corporation does not have any control over these analysts. There is no guarantee that securities analysts will cover our Common Shares. If securities analysts do not cover our Common Shares, the lack of research coverage may adversely affect its market price. If the Corporation is covered by securities analysts, and our stock is the subject of an unfavourable report, our stock price and trading volume would likely decline. If one or more of these analysts ceases to cover the Corporation or fails to publish regular reports on the Corporation, the Corporation could lose visibility in the financial markets, which could cause our stock price or trading volume to decline.

Shareholders may experience dilution of your ownership interests because of the future issuance of additional Common Shares.

In the future, the Corporation may issue our authorized but previously unissued equity securities, resulting in the dilution of the ownership interests of present Shareholders and the purchasers of the Common Shares. The Corporation is authorized to issue an unlimited number of Common Shares and an unlimited number of Preferred Shares with preferences and rights to be determined by the Board. As at November 30, 2012, there were 34,143,352 Common Shares and nil Preferred Shares issued and outstanding. Also at November 30, 2012, the Corporation had 1,832,000 Options outstanding. See Item 12 "*Stock Option Plan*". The Corporation may also issue additional Common Shares or other securities that are convertible into or exercisable for our Common Shares in connection with hiring or retaining employees, future acquisitions, future sales of its securities for capital raising purposes, or for other business purposes. The future issuance of any such additional Common Shares may create downward pressure on the trading price of the Common Shares. The Corporation will need to raise additional capital in the near future to meet our working capital needs and there can be no assurance that the Corporation will not be required to issue additional shares, warrants or other convertible securities in the future in conjunction with these capital raising efforts. The issuance of certain securities shall not be lower than the Discounted Market Price.

The Corporation does not anticipate dividends to be paid on our Common Shares, and investors may lose the entire amount of their investment.

Cash dividends have never been declared or paid on our Common Shares, and the Corporation does not anticipate such a declaration or payment for the foreseeable future. The Corporation expects to use future earnings, if any, to fund business growth. Therefore, Shareholders will not receive any funds absent a sale of their shares. The Corporation cannot assure Shareholders of a positive return on their investment when they sell their shares, nor can the Corporation assure that Shareholders will not lose the entire amount of their investment.

RISKS RELATING TO THE COUNTRIES IN WHICH THE CORPORATION PLANS TO OPERATE IN THE FUTURE

The Corporation may not be able to operate in Mongolia.

The Corporation may face economic barriers that effectively prohibit it from continuing effective operations in Mongolia. These barriers may include, among other things, exorbitant business, license and operating fees relating to the start-up and continuing operation of the Corporation's business interests.

The Corporation is subject to the changes in foreign economic, political, and social conditions.

The Corporation's future interests in Mongolia are always at risk to changes in government policies that may be aimed at discouraging foreign investment or to nationalize companies or industries. Governments may implement business and development restrictions or requirements not currently foreseen. There is no assurance that provisions under Mongolian law for compensation and reimbursement of losses to investors under such circumstance would be effective to restore the full value of the Corporation's original investment or to compensate for the loss of the future value of Mongolian projects. The Corporation's future interests in Mongolia may be affected in varying degrees by, among other things, price controls, income taxes and environmental legislation. There can be no assurance that Mongolian laws protecting foreign investments will not be amended or abolished or that existing laws will be enforced or interpreted to provide adequate protection against any or all of the risks described above.

The Corporation's operations may also be affected in varying degrees by, among other things, political, economic and social instability, economic or other sanctions imposed by other nations, terrorism, military repression, extreme fluctuations in currency exchange rates and high inflation.

The Corporation may also be negatively affected by criminal activities including but not limited to corruption by government and non-government persons and groups of persons including but not limited to unofficial political organizations such as local gangs or other bodies.

The Corporation cannot guarantee that the Mongolian government will not implement laws, including tax laws, or policies specific to the Corporation, or specific to the industries that the Corporation operates in or is dependent upon, that may limit the Corporation's ability to operate effectively, if at all, and to remove any of the profits raised, if any, from Mongolia.

Any changes in regulations or shifts in political and social attitudes and conditions are beyond the control of the Corporation and may negatively affect its business interests.

Foreign subsidiaries and repatriation of earnings.

The Corporation operates through Mongolian subsidiaries. Accordingly, any limitation on the transfer of cash or other assets between the parent corporation and such entities, or among such entities, could restrict the Corporation's ability to fund its operations efficiently. Any such limitations, or the perception that such limitations may exist now or in the future, could have an adverse impact on the Corporation's valuation and stock price. There is no assurance that Mongolia, or any other foreign country in which the Corporation may operate in the future will not impose restrictions on the repatriation of earnings to foreign entities or additional taxes.

Mongolian regulations require the State Administration of Exchange Control to approve the remittance of certain types of income out of Mongolia. The Corporation, therefore, may be unable to repatriate its earnings. If the Corporation is unable to repatriate its earnings from Mongolia, it may lose its investment.

Mongolian regulations provide that, subject to payment of applicable taxes, foreign investors may remit out of Mongolia, in foreign exchange, profits or dividends derived from a source within Mongolia. Remittance by foreign investors of any other amounts (including, for instance, proceeds of sale arising from a disposal by a foreign investor of any of his investment in Mongolia) out of Mongolia is subject to the approval of the State Administration of Exchange Control or its local branch office. No assurance can be given that such approval would be granted if the Corporation disposes of all or part of its interest in its Mongolia projects. Further, there can be no assurance that additional restrictions on the repatriation of earnings in Mongolia will not be imposed in the future.

The Corporation may or may not have political risk insurance.

From time to time, the Corporation may assess the costs and benefits of obtaining or maintaining political risk insurance covering future investments in Mongolia. At any time the Corporation may choose not to obtain such insurance. Furthermore, there can be no assurance that such insurance would be available at any time or that particular losses that the Corporation may suffer with respect to its investment in Mongolia will be covered by the insurance.

The Corporation could face foreign exchange, interest rate and inflation risks.

The Corporation's revenues may be paid in various international currencies. The Corporation may convert funds to foreign currencies as its payment obligations become due. Part of the Corporation's future costs will likely be incurred in the currency of Mongolia. The Corporation's accounts are prepared in Canadian dollars and dividends, if paid, will be paid in Canadian dollars. Accordingly, the Corporation is subject to inflation in the countries in which it may operate in the future and fluctuations in the rates of currency exchange between the Canadian dollar and these currencies, and such fluctuations may materially affect the Corporation's business, results of operations and financial condition.

Consequently costs related to the development, implementation and operation of the Corporation's business plans may be higher than the Corporation anticipates. Any increase in relevant interest rates will increase the amount the Corporation pays to service any debts which may be incurred, now or in the future.

Interpretation and application of the laws and regulations of the countries in which the Corporation operates can be uncertain and could adversely affect the Corporation.

Some of the jurisdictions in which the Corporation intends to operate may have less developed legal systems than more established economies which may result in risks such as:

(i) effective legal redress in the courts of such jurisdictions, whether in respect of a breach of law or regulation, or, in an ownership dispute, being more difficult to obtain;

(ii) a higher degree of discretion on the part of governmental authorities;

(iii) the lack of judicial or administrative guidance in interpreting applicable rules and regulations;

(iv) inconsistencies or conflicts between and within various laws (including tax laws), regulations, decrees, orders and resolutions; and/or

(v) relative inexperience of the judiciary and courts in such matters.

Enforcement of laws in some of the jurisdictions in which the Corporation may operate could depend on and be subject to the interpretation placed upon such laws by the relevant local authority, and such authority may adopt an interpretation of an aspect of local law which differs from the advice that has been given to the Corporation. There can be no assurance that contracts, joint ventures, licences, licence applications or other legal arrangements will not be adversely affected by the actions of government authorities and the effectiveness of and enforcement of such arrangements in these jurisdictions.

In certain jurisdictions, the commitment of local businesses, government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be more uncertain and may be susceptible to revision or cancellation, and legal redress may be uncertain or delayed.

The Corporation must comply with the regulatory regimes of the countries in which it operates, and such compliance may result in increased expenditure or decreased revenues.

The Corporation may be subject to various government laws and regulations. There can be no assurance that the actions of present or future governments in Canada and Mongolia, or of governments of other countries in which the Corporation may operate in the future, will not materially adversely affect the business and financial condition of the Corporation.

Management of the Corporation may reside outside of Canada.

In the event that Management of the Corporation resides outside of Canada or the Corporation engages in commercial relationships with foreign entities, investors may find it difficult or impossible to effect service or notice to commence legal proceedings upon any Management resident outside of Canada or upon the foreign entity and may find it difficult or impossible to enforce against such persons or entities, judgments obtained in Canadian courts.

Corruption

The Corporation is governed by the laws of multiple jurisdictions, which generally prohibit bribery and other forms of corruption. It is possible that the Corporation, or some of its employees or contractors, could be charged with bribery or corruption. The Corporation has policies and procedures in place that prohibit activities such as these and requires all employees and contractors to read these policies and procedures and acknowledge their understanding and compliance on an annual basis. However, if the Corporation is found guilty of such a violation, which could include a failure to take effective steps to prevent or address corruption by its employees or contractors, the Corporation could be subject to onerous penalties. A mere investigation itself could lead to significant corporate disruption, high legal costs and forced settlements (such as the imposition of an internal monitor). In addition, bribery allegations or bribery or corruption convictions could impair the Corporation's ability to work with governments or nongovernmental organizations. Such convictions or allegations could result in the formal exclusion of the Corporation from a country or area, national or international lawsuits, government sanctions or fines, project suspension or delays, reduced market capitalization and increased investor concern.

Dependence on External Factors

During the last nine months the Corporation has purchased apartment units in a knowingly condemned building with the intent that through control of the homeowner's association the Corporation can procure a lease on the land underlying the building. The process of exerting control over a homeowner's association in order to develop the underlying land-plot is an extensive and complicated legal process lacking precedent and is a generally risky proposition. The total investment at cost in this one apartment building at November 30, 2012 was $4,391,473. As at September 30, 2012, the Corporation owned 48 of the 51 apartments in the building, but has yet to formally take control of the homeowner's association.

RISKS RELATING TO THE COMMON SHARES

Uncertainties exist as to the market price and liquidity of the Common Shares.

There can be no assurance that an active and liquid market for the Corporation's Common Shares will develop and an investor may find it difficult to resell its Common Shares.

The controlling shareholder(s) of the Corporation will exercise significant control over the affairs of the Corporation.

A small number of shareholders hold a majority of the Common Shares. As at the date of this Listing Application, the Corporation's officers, directors, principal shareholders and their affiliates beneficially own or control, directly or indirectly, approximately 11,422,500 Common Shares (on a post-consolidated basis), which in the aggregate represents approximately 33.58% of the Corporation's outstanding Common Shares. As a result, if some or all of these shareholders act together, they will have the ability to control certain matters submitted to the Corporation's shareholders for approval, including amendments to the Corporation's Notice of Articles and Articles and the approval of any business combination. This may delay or prevent an acquisition of the Corporation. These shareholders may have interests that differ from those of other shareholders.

As a result of any or all of the above risk factors, this offering is only suitable to investors who are willing to rely solely on Management of the Corporation and who can afford to lose their entire investment and those investors who are not prepared to do so should not invest in these securities.

The Corporation may be subject to risks relating to global financial developments.

Global financial markets experienced a sharp increase in volatility beginning in 2008. This has been, in part, the result of the revaluation of assets on the balance sheets of international financial institutions and related securities contributing to a reduction in liquidity among financial institutions and a reduction in the availability of credit to those institutions and to the issuers who borrow from them. While central banks and governments continue attempts to restore liquidity to the global economy, no assurance can be given that the combined impact of the significant revaluations and constraints on the availability of credit will not continue to materially and adversely affect economies around the world. Some or all of these economies may experience significantly diminished growth and some or all may suffer a recession the duration of which cannot be predicted. These market conditions and unexpected volatility or illiquidity in financial markets may also adversely affect the prospects of the Corporation. A substantial decline in the North American equities markets could be expected to have a negative effect on the Corporation and the market price of the Common Shares.

RISKS RELATING TO THE BUSINESS OF THE CORPORATION

The Corporation is subject to certain risks related to the nature of the Corporation's business and its present stage and speed of development.

There are numerous factors which may affect the success of the Corporation's business which are beyond the Corporation's control, including local, national and international economic, legal and political conditions. The Corporation's future business may involve a high degree of risk which a combination of experience, knowledge and careful evaluation may not overcome. Current or future operations of the Corporation in developing countries expose the Corporation to, among other things, political and currency risks.

The loss of any of the Corporation's executive officers could have an adverse impact on its business.

The Corporation is highly dependent upon its executive officers, and the success of the Corporation will be largely dependent upon the performance of such officers. In particular, the Corporation's President, Chief Executive Officer and Chairman, Harris Kupperman is central to the future development of the business of the Corporation. At present Harris Kupperman is not covered by key-man life insurance policies and there are no plans to obtain such policies. In assessing the risk of an investment in the Corporation, potential investors should recognize that they are relying on the ability and integrity of the management of the Corporation. Further, potential investors should understand that the directors and officers of the Corporation, or other persons who in the future may work for or with the Corporation, may not devote all of their time to the activities of the Corporation.

Economic and geopolitical uncertainty may negatively affect the Corporation.

The market for any of the Corporation's future products and/or services depends on economic and geopolitical conditions affecting the broader market. Economic conditions are beyond the Corporation's control. In addition, acts of terrorism and the outbreak of hostilities and armed conflicts between countries can create geopolitical uncertainties that may affect the global economy. Downturns in the economy or geopolitical uncertainties may cause potential future customers to delay or cancel projects, reduce their overall capital or operating budgets, reduce or cancel insurance coverage, reduce rental space requirments, cancel leases, or in other ways negatively impact the Corporation's business, results of operations and financial condition.

The Corporation's operations may be subject to potential losses that may not be covered by insurance.

The Corporation may or may not be insured against potential risks related to its future operations, and there can be no assurance that such insurance will be adequate to cover any losses or exposure for liability. The occurrence of a significant unfavourable event not fully covered by insurance, or not honored by the company's insurer or re-insurer, could have a material adverse effect on the Corporation's financial condition, results of operations or cash flows, as could a situation where the Corporation is covered by a policy, but the insurer does not pay the claim. Furthermore, the Corporation cannot predict whether insurance will be available in the future at reasonable cost or at all.

The Corporation's interests may be negatively affected by a force majeure or natural event beyond the Corporation's control.

The Corporation may be negatively affected by the occurrence of natural events that happen in the places of the Corporation's business interests and abroad. Such events include but are not limited to earthquakes, floods, fire, plague and other natural disasters that are beyond the Corporation's control. There can be no assurance that the Corporation can effectively insure against these risks at a reasonable cost, if at all, or that the Corporation will be fully indemnified by any such insurance in the event that such risks materialise.

The Corporation could be subject to labour or other unplanned production disruptions.

The Corporation may rely on staff, contractors, sub-contractors and other agents in the procurement, production, design, construction or delivery of products and/or services to market. If there is a material disagreement between the Corporation and any of these individuals, or groups of these individuals, the Corporation's operations could suffer an interruption that could have a material adverse effect on the Corporation's business, results of operations and financial condition.

Future litigation could adversely affect the Corporation's business, results of operations and financial condition.

From time to time, the Corporation may be subject to litigation arising out of its operations. Damages claimed under such litigation may be material or may be indeterminate, and the outcome or process of such litigation may materially impact the Corporation's business, results of operations and financial condition. While the Corporation will assess the merits of each lawsuit and defend itself accordingly, it may be required to incur significant expense or devote significant resources to defending itself against such litigation. In addition, the adverse publicity surrounding any such claims may have a material adverse effect on the Corporation's business, results of operations and financial condition.

The Corporation has a limited operating history.

The Corporation has a limited operating history. As such, the Corporation has no reliable history through which to gain the experience necessary to successfully execute future business plans or meet future contractual obligations. The limited operating history makes an evaluation of the risks associated with continued operations difficult, and forecasting and planning conducted by management of the Corporation may inaccurately predict future operating conditions, which could have a material adverse effect on the Corporation's business, results of operations and financial condition.

The Corporation has limited cash flow and an absence of profits.

The Corporation has limited cash flow and has failed to demonstrate a history of profitable operations. The Corporation may not be successful in improving its cash flow or demonstrating profitable operations, which would be deleterious to the Corporation's business, results of operations and financial condition. There is no assurance that the Corporation will be capable of consistently producing positive cash flows.

Capital markets are volatile.

Securities markets throughout the world are cyclical and, over time, tend to undergo high levels of price and volume volatility, particularly those with interests in emerging markets. The market price of securities of many companies can experience wide fluctuations which are not necessarily related to the operating performance, underlying asset value or prospects of such companies. Increased levels of volatility and resulting market turmoil could adversely affect the market price of the Corporation's securities.

Item 22: Promoters

The Corporation has not engaged a promoter in the two years prior to the date of this Listing Application.

Item 23: Legal Proceedings and Regulatory Actions

There are no legal proceedings that the Corporation or any of its subsidiaries is or was a party to, or that any of its property is or was the subject of, since the beginning of the Corporation's most recently completed financial year, nor are any such legal proceedings known to the Corporation to be contemplated, that involves a claim for damages, exclusive of interest and costs, exceeding ten percent of the current assets of the Corporation.

There are no:

(a) penalties or sanctions imposed against the Corporation or any of its subsidiaries by a court relating to provincial and territorial securities legislation or by a securities regulatory authority within the three years immediately preceding the date of this Listing Application;

(b) other penalties or sanctions imposed by a court or regulatory body against the Corporation or any of its subsidiaries necessary for this Listing Application to contain full, true and plain disclosure of all material facts relating to the securities being listed; and

(c) settlement agreements the Corporation or any of its subsidiaries entered into before a court relating to provincial and territorial securities legislation or with a securities regulatory authority within the three years immediately preceding the date of this Listing Application.

Item 24: Interests of Management and Others in Material Transactions

Except as disclosed elsewhere herein, none of the directors, executive officers, principal shareholders of the Corporation, or informed persons (as defined in National Instrument 51-102), and no associate or affiliate of any of them, has or has had any material interest in any transaction since the commencement of the Corporation's three most recently completed financial year or in any proposed transactions which has materially affected or would materially affect the Corporation.

There may be potential conflicts of interest to which the directors and officers of the Corporation may be subject in connection with the operations of the Corporation, but as of the date of this filing, no such conflicts have been identified. Conflicts, if any, will be subject to the procedures and remedies available under the ABCA. The ABCA provides that in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided by the ABCA.

Item 25: Investor Relations Arrangements

The Corporation has not reached any written or oral agreement or understanding with any person to provide any promotional or investor relations services for the Corporation.

Item 26: Auditors, Transfer Agents and Registrars

Auditor

PricewaterhouseCoopers LLP
Richardson Building, 1 Lombard Place, Suite 2300
Winnipeg, Manitoba R3B 0X6

Transfer Agent and Registrar (Common Shares)

Olympia Trust Corporation
2300, 125 – 9th Avenue SE
Calgary, Alberta T2G 0P6

Item 27: Material Contracts

Except for contracts entered into in the ordinary course of business, the only material contracts entered into by the Corporation, either directly or indirectly, is the following:

- Stock Option Plan of the Corporation;
- Consulting agreement between the Corporation and Praetorian GP LLC for certain management consulting services following closing of the Share Purchase Transaction;
- Consulting agreement between the Corporation and Talaria Capital I Corp. for certain management consulting services following closing of the Share Purchase Transaction;
- The Share Purchase Agreement; and
- Agreements entered into on March 9, 2011 between the Corporation and members of UMC Group LLC for consulting services respecting the founding of a property and casualty business in Mongolia.

All above-noted material contracts have been or will be provided to the Exchange concurrently with the submission of this Listing Application.

Item 28: Experts

PricewaterhouseCoopers LLP prepared the auditor's report for the Corporation's annual financial statements as at and for the year ended December 31, 2011. PricewaterhouseCoopers LLP is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

Cushman and Wakefield prepared the investment property valuation report for the Corporation's annual financial statements as at and for the year ended December 31, 2011. Cushman and Wakefield is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

Item 29: Other Material Facts

Not applicable.

Item 30: Additional Information – Mining or Oil and Gas Applicants

Not applicable.

Item 31: Exemptions

Not applicable.

Item 32: Financial Statement Disclosure for Issuers

The audited consolidated financial statements of the Corporation as at December 31, 2011 and 2010 and January 1, 2010 and the consolidated statements of operations, comprehensive income (loss), changes in equity and cash flows for the years ended December 31, 2011 and 2010, including the notes thereto and the auditors' report thereon are incorporated by reference. The audited financial statement for the year ended December 31, 2011 and the unaudited Interim Financial Statements for the period ending September 30, 2012 are appended hereto in Appendix "C" and Appendix "E" respectively.

These documents are also available through the internet on SEDAR which can be accessed at www.sedar.com or on the Corporation's website www.mongoliagrowthgroup.com.

Item 33: Significant Acquisitions

To date, the Corporation has not made any significant acquisitions as defined under section 8.3 of NI 51-102.

Item 34: Certificates

34.1 Certificate of Applicant

January 4, 2012

"Each of the undersigned hereby certifies that the foregoing constitutes full, true and plain disclosure of all information required to be disclosed under each item of this Application and of any material fact not otherwise required to be disclosed under an item of this Application."

Signed "Harris Kupperman"

Name: Harris Kupperman
Title: President, Chief Executive Officer and Chairman

Signed "Matthew Aiken"

Name: Matthew Aiken
Title: Chief Financial Officer

Signed "Jordan Calonego"

Name: Jordan Calonego
Title: Director

Signed "Paul Sweeney"

Name: Paul Sweeney
Title: Director

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34.2 Certificate of Sponsor

January 4, 2012

"To the best of our knowledge, information and belief the foregoing constitutes full, true and plain disclosure of all information required to be disclosed under each item of this Application and of any material fact not otherwise required to be disclosed under an item of this Application."

Per: Signed "Craig Rogers"
Name: Craig Rogers
Title: VP Investment Banking, Northern Securities

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34.3: Acknowledgement – Personal Information

"Personal Information" means any information about an identifiable individual.

The Applicant hereby represents and warrants that it has obtained all consents required under applicable law for the collection, use and disclosure by the Exchange of the Personal Information contained in or submitted pursuant to this Application for the purposes described in Appendix "A" to the Form 2B TSX-V Listing Application.

Signed "Harris Kupperman"

Harris Kupperman
President, Chief Executive Officer and Chairman

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APPENDIX "A"

MONGOLIA GROWTH GROUP LTD.

AUDIT COMMITTEE CHARTER

MANDATE AND TERMS OF REFERENCE

Our Audit Committee Charter outlines the specific roles and duties of the Committee's members.

GENERAL FUNCTIONS, AUTHORITY, AND ROLE

The Audit Committee is a Committee of the Board appointed to assist the Board in monitoring (1) the integrity of the financial statements of the Corporation, (2) compliance by the Corporation with legal and regulatory requirements related to financial reporting, (3) qualifications, independence and performance of the Corporation's independent auditors, and (4) performance of the Corporation's internal controls and financial reporting process.

The Audit Committee has the power to conduct or authorize investigations into any matters within its scope of responsibilities, with full access to all books, records, facilities and personnel of the Corporation, its auditors and its legal advisors. In connection with such investigations or otherwise in the course of fulfilling its responsibilities under this charter, the Audit Committee has the authority to independently retain special legal, accounting, or other consultants to advise it, and may request any officer or employee of the Corporation, its independent legal counsel or independent auditor to attend a meeting of the Audit Committee or to meet with any members of, or consultants to, the Audit Committee. The Audit Committee also has the power to create specific sub-committees with all of the investigative powers described above.

The Corporation's independent auditor is ultimately accountable to the Board and to the Audit Committee; and the Board and Audit Committee, as representatives of the Corporation's shareholders, have the ultimate authority and responsibility to evaluate the independent auditor, and to nominate annually the independent auditor to be proposed for shareholder approval, and to determine appropriate compensation for the independent auditor. In the course of fulfilling its specific responsibilities hereunder, the Audit Committee must maintain free and open communication between the Corporation's independent auditors, Board of Directors and management. The responsibilities of a member of the Audit Committee are in addition to such member's duties as a member of the Board.

While the Audit Committee has the responsibilities and powers set forth in this charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Corporation's financial statements are complete, accurate, and in accordance with generally accepted accounting principles. This is the responsibility of management and the independent auditor. Nor is it the duty of the Audit Committee to conduct investigations, to resolve disagreements, if any, between management and the independent auditor (other than disagreements regarding financial reporting), or to assure compliance with laws and regulations or the Corporation's own policies.

MEMBERSHIP

The membership of the Audit Committee will be as follows:

- The Committee will consist of a minimum of three members of the Board, appointed annually, the majority of whom is affirmatively confirmed as independent by the Board, with such affirmation disclosed in the Corporation's annual securityholder materials.
- The Board will elect, by a majority vote, one member as chairperson.
- A member of the Audit Committee may not, other than in his or her capacity as a member of the Audit Committee, the Board, or any other Board Committee, accept any consulting, advisory, or other compensatory fee from the Corporation, and may not be an affiliated person of the Corporation or any subsidiary thereof.

RESPONSIBILITIES

The responsibilities of the Audit Committee shall be as follows:

1. **Frequency of Meetings**

- Meet annually or as often as may be deemed necessary or appropriate in its judgment, either in person or by teleconference.

- Meet with the independent auditor at least annually, either in person or telephonically.

2. **Reporting Responsibilities**

- Provide to the Board proper Committee minutes.

- Report Committee actions to the Board with such recommendations as the Committee may deem appropriate.

- Provide a report for the Corporation's Annual Information Circular.

3. **Charter Evaluation**

- Annually review and reassess the adequacy of this Charter and recommend any proposed changes to the Board for approval.

4. **Whistleblower Mechanisms**

- Adopt and review annually a mechanism through which employees and others can directly and anonymously contact the Audit Committee with concerns about accounting and auditing matters. The mechanism must include procedures for responding to, and keeping of records of, any such expressions of concern.

5. **Independent Auditor**

- Nominate annually the independent auditor to be proposed for shareholder approval.

- Approve the compensation of the independent auditor, and evaluate the performance of the independent auditor.

- Establish policies and procedures for the engagement of the independent auditor to provide non-audit services.

- Ensure that the independent auditor is not engaged for any activities not allowed by any of the Canadian provincial securities commissions, the SEC or any securities exchange on which the Corporation's shares are traded.

- Ensure that the auditors are not engaged for any of the following nine types of non-audit services contemporaneous with the audit:

  - bookkeeping or other services related to accounting records or financial statements of the Corporation;

  - financial information systems design and implementation;

  - appraisal or valuation services, fairness opinions, or contributions-in-kind reports;

  - actuarial services;

- internal audit outsourcing services;
- any management or human resources function;
- broker, dealer, investment advisor, or investment banking services;
- legal services; and
- expert services related to the auditing service.

6. **Hiring Practices**

- Ensure that no senior officer who is, or in the past full year has been, affiliated with or employed by a present or former auditor of the Corporation or an affiliate, is hired by the Corporation until at least one full year after the end of either the affiliation or the auditing relationship.

7. **Independence Test**

- Take reasonable steps to confirm the independence of the independent auditor, which shall include:
  - insuring receipt from the independent auditor of a formal written statement delineating all relationships between the independent auditor and the Corporation, consistent with the Independence Standards Board Standard No. 1 and related Canadian regulatory body standards;
  - considering and discussing with the independent auditor any relationships or services, including non-audit services, that may impact the objectivity and independence of the independent auditor; and
  - as necessary, taking, or recommending that the Board take, appropriate action to oversee the independence of the independent auditor.

8. **Audit Committee Meetings**

- At the request of the independent auditor, convene a meeting of the Audit Committee to consider matters the auditor believes should be brought to the attention of the Board or shareholders.
- Keep minutes of its meetings and report to the Board for approval of any actions taken or recommendations made.

9. **Restrictions**

- Ensure no restrictions are placed by management on the scope of the auditors' review and examination of the Corporation's accounts.
- Ensure that no officer or director attempts to fraudulently influence, coerce, manipulate or mislead any accountant engaged in auditing of the Corporation's financial statements.

AUDIT AND REVIEW PROCESS AND RESULTS

10. **Scope**

- Consider, in consultation with the independent auditor, the audit scope and plan of the independent auditor.

11. **Review Process and Results**

- Consider and review with the independent auditor the matters required to be discussed by Statement on Auditing Standards No. 61, as the same may be modified or supplemented from time to time.

- Review and discuss with management and the independent auditor at the completion of the annual examination:

  - the Corporation's audited financial statements and related notes;
  - the Corporation's MD&A and news releases related to financial results;
  - the independent auditor's audit of the financial statements and its report thereon;
  - any significant changes required in the independent auditor's audit plan;
  - any non-GAAP related financial information;
  - any serious difficulties or disputes with management encountered during the course of the audit; and
  - other matters related to the conduct of the audit, which are to be communicated to the Audit Committee under generally accepted auditing standards.

- Review, discuss with management and approve annual and interim quarterly financial statements prior to public disclosure.

- Review and discuss with management and the independent auditor the adequacy of the Corporation's internal controls that management and the Board have established and the effectiveness of those systems, and inquire of management and the independent auditor about significant financial risks or exposures and the steps management has taken to minimize such risks to the Corporation. The Chief Financial Officer of the Corporation shall provide a report in respect of the effectiveness of the Corporation's internal controls to the Audit Committee on an annual basis as a means of facilitating such review and discussion.

- Meet separately with the independent auditor and management, as necessary or appropriate, to discuss any matters that the Audit Committee or any of these groups believe should be discussed privately with the Audit Committee.

- Review and discuss with management and the independent auditor the accounting policies which may be viewed as critical, including all alternative treatments for financial information within generally accepted accounting principles that have been discussed with management, and review and discuss any significant changes in the accounting policies of the Corporation and industry accounting and regulatory financial reporting proposals that may have a significant impact on the Corporation's financial reports.

- Review with management and the independent auditor the effect of regulatory and accounting initiatives as well as off-balance sheet structures, if any, on the Corporation's financial statements.

- Review with management and the independent auditor any correspondence with regulators or governmental agencies and any employee complaints or published reports which raise material issues regarding the Corporation's financial statements or accounting policies.

- Review with the Corporation's General Counsel legal matters that may have a material impact on the financial statements, the Corporation's financial compliance policies and any material reports or inquiries received from regulators or governmental agencies related to financial matters.

SECURITIES REGULATORY FILINGS

- Review filings with the Canadian provincial securities commissions and other published documents containing the Corporation's financial statements.

- Review, with management and the independent auditor, prior to filing with regulatory bodies, the interim quarterly financial reports (including related notes and MD&A) at the completion of any review engagement or other examination. The designated financial expert of the Audit Committee may represent the entire Audit Committee for purposes of this review.

RISK ASSESSMENT

- Meet periodically with management to review the Corporation's major financial risk exposures and the steps management has taken to monitor and control such exposures.
- Assess risk areas and policies to manage risk including, without limitation, environmental risk, insurance coverage and other areas as determined by the Board from time to time.

AMENDMENTS TO AUDIT COMMITTEE CHARTER

- Annually review this Charter and propose amendments to be ratified by a simple majority of the Board.

APPENDIX "B"

MONGOLIA GROWTH GROUP LTD.

BOARD OF DIRECTORS MANDATE
(the "**Mandate**")

Dated Effective June 28, 2012

Purpose

The members of the board of directors (the "**Board of Directors**" or "**Board**") have the duty to supervise the management of the business and affairs of Mongolia Growth Group Ltd. (the "**Corporation**"). The Board, directly and through its committees and the chairperson of the Board (the "**Chair**"), shall provide direction to senior management, generally through the Chief Executive Officer, to pursue the best interests of the Corporation.

Duties and Responsibilities

The Board shall have the specific duties and responsibilities outlined below.

Strategic Planning

Strategic Plans

The Board will adopt a strategic plan for the Corporation. At least annually, the Board shall review and, if advisable, approve the Corporation's strategic planning process and the Corporation's annual strategic plan. In discharging this responsibility, the Board shall review the plan in light of management's assessment of emerging trends, the competitive environment, the opportunities for the business of the Corporation, risk issues and significant business practices and products.

Business and Capital Plans

At least annually, the Board shall review and, if advisable, approve the Corporation's annual business and capital plans as well as policies and processes generated by management relating to the authorization of major investments and significant allocation of capital.

Monitoring

At least annually, the Board shall review management's implementation of the Corporation's strategic, business and capital plans. The Board shall review and, if advisable, approve any material amendments to, or variances from, these plans.

Risk Management

General

At least annually, the Board shall review reports provided by management of the principal risks associated with the Corporation's business and operations; the implementation by management of appropriate systems to manage these risks; and reports by management relating to the operation of, and any material deficiencies in, these systems.

Verification of Controls

The Board shall verify that internal, financial, non-financial and business control and management information systems have been established by management.

Human Resource Management

General

At least annually, the Board shall review a report of the Compensation Committee of the Board (the "**Compensation Committee**") concerning the Corporation's approach to human resource management and executive compensation.

Succession Review

At least annually, the Board shall review the succession plans of the Corporation for the Chair (if applicable), the Chief Executive Officer and other executive officers, including the appointment, training and monitoring of such persons.

Integrity of Senior Management

The Board shall, to the extent feasible, satisfy itself as to the integrity of the Chief Executive Officer and other executive officers of the Corporation and that the Chief Executive Officer and other senior officers strive to create a culture of integrity throughout the Corporation.

Corporate Governance

General

At least annually, the Board shall review a report of the Corporate Governance and Nominating Committee of the Board (the "**Corporate Governance and Nominating Committee**") concerning the Corporation's approach to corporate governance.

Director Independence

At least annually, the Board shall review a report of the Corporate Governance and Nominating Committee that evaluates the director independence standards established by the Board and the Board's ability to act independently from management in fulfilling its duties.

Ethics Reporting

The Board has adopted a written Code of Business Conduct and Ethics (the "**Code**") applicable to directors, officers and employees of the Corporation. At least annually, the Board shall review the report of the Corporate Governance and Nominating Committee relating to compliance with, material deficiencies from or departures from, the Code and approve changes it considers appropriate. The Board shall review reports from the Corporate Governance and Nominating Committee concerning investigations and any resolutions of complaints received under the Code.

Board of Directors Mandate Review

At least annually, the Board shall review and assess the adequacy of its Mandate to ensure compliance with any rules or regulations promulgated by any regulatory body and approve any modifications to this Mandate as considered advisable.

Communications

General

The Board has adopted a disclosure policy for the Corporation (the "**Disclosure Policy**"). At least annually, the Board, in conjunction with the corporate secretary (the "**Corporate Secretary**"), shall review the Corporation's overall Disclosure Policy. The Board shall, if advisable, approve material changes to the Disclosure Policy.

Shareholders

The Corporation endeavors to keep its shareholders informed of its progress through annual financial statements, quarterly interim reports and periodic press releases, and if required by applicable securities laws or deemed appropriate by management, an annual information form. Directors and management meet with the Corporation's shareholders at the annual meeting and are available to respond to questions at that time. In addition, the Corporation shall maintain on its website a contact email address that will permit shareholders to provide feedback directly to an officer of the Corporation.

Composition

General

The composition and organization of the Board, including: the number, qualifications and remuneration of directors; the number of Board meetings; Canadian residency requirements; quorum requirements; meeting procedures and notices of meetings are required by the *Business Corporations Act* (Alberta), the *Securities Act* (Alberta) and the articles and by-laws of the Corporation, subject to any exemptions or relief that may be granted from such requirements.

Each director must have an understanding of the Corporation's: principal operational and financial objectives; plans and strategies; and financial position and performance. Directors must have sufficient time to carry out their duties and not assume responsibilities that would materially interfere with, or be incompatible with, Board membership. Directors who experience a significant change in their personal circumstances, including a change in their principal occupation, are expected to advise the chair of the Corporate Governance and Nominating Committee immediately upon the occurrence of such a change.

Independence

A majority of the Board must be independent. "Independent" shall have the meaning, as the context requires, given to it in National Policy 58-201 - *Corporate Governance Guidelines*, as may be amended from time to time.

Chair of the Board

The Chair of the Board shall be an independent director, unless the Board determines that it is inappropriate to require the Chair to be independent. If the Board determines that it would be inappropriate to require the Chair of the Board to be independent, then the independent directors shall select from among their number a director who will act as "**Lead Director**" and who will assume responsibility for providing leadership to enhance the effectiveness and independence of the Board. The Chair, if independent, or the Lead Director if the Chair is not independent, shall act as the effective leader of the Board and ensure that the Board's agenda will enable it to successfully carry out its duties. William Fleckenstein, is the present Lead Director of the Company.

Committees of the Board

The Board has established the following committees: the Compensation Committee; the Corporate Governance and Nominating Committee; and the Audit Committee of the Board. Subject to applicable law and the by-laws of the Corporation, the Board may establish other Board committees or merge or dispose of any Board committee.

Committee Mandates

The Board has approved mandates for each Board committee and shall approve mandates for each new Board committee. At least annually, each mandate shall be reviewed by the Corporate Governance and Nominating Committee and each respective Board committee and any suggested amendments brought to the Board for consideration and approval.

Delegation to Committees

The Board has delegated to the applicable committee those duties and responsibilities set out in each Board committee's mandate.

Consideration of Committee Recommendations

As required by applicable law, by applicable committee mandate or as the Board may consider advisable, the Board shall consider for approval the specific matters delegated for review to Board committees.

Board/Committee Communication

To facilitate communication between the Board and each Board committee, each committee chair shall provide a report to the Board on material matters considered by the committee at the first Board meeting after the committee's meeting.

Meetings

The Board will meet not less than four times per year, with additional meetings held as deemed advisable. The Chair is primarily responsible for the agenda and for supervising the conduct of the meeting. Any director may propose the inclusion of items on the agenda, request the presence of, or a report by any member of senior management, or at any Board meeting raise subjects that are not on the agenda for that meeting.

Meetings of the Board shall be conducted in accordance with the Corporation's by-laws.

Secretary and Minutes

The Corporate Secretary, his or her designate or any other person the Board requests shall act as secretary of Board meetings. Minutes of Board meetings shall be recorded and maintained by the Corporate Secretary and subsequently presented to the Board for approval.

Meetings Without Management

The independent members of the Board shall hold regularly scheduled meetings, or portions of regularly scheduled meetings, with additional meetings being held as necessary, at which non-independent directors and members of management are not present.

Directors' Responsibilities

Each director is expected to attend all meetings of the Board and any committee of which he or she is a member. Directors will be expected to have read and considered the materials sent to them in advance of each meeting and to actively participate in the meetings.

Access to Management and Outside Advisors

The Board shall have unrestricted access to management and employees of the Corporation. The Board shall have the authority to retain and terminate external legal counsel, consultants or other advisors to assist it in fulfilling its responsibilities and to set and pay the respective reasonable compensation of these advisors without consulting or obtaining the approval of any officer of the Corporation. The Corporation shall provide appropriate funding, as determined by the Board, for the services of these advisors.

Service on Other Boards and Audit Committee

Directors may serve on the boards of other public companies and the audit committees of those boards, so long as these commitments do not materially interfere and are compatible with their ability to fulfill their duties as a member of the Board. Directors must advise the Chair in advance of accepting an invitation to serve on the board or an audit committee of another public company.

Management

Position Descriptions for Directors

The Board has approved position descriptions for the Chair, the Lead Director (if a director has been appointed to this position by the Board) and the chair of each Board committee. At least annually, the Board shall review such position descriptions.

Position Description for Chief Executive Officer

The Board has approved a position description for the Chief Executive Officer, which includes delineating management's responsibilities. The Board has also approved the corporate goals and objectives that the Chief Executive Officer has responsibility for meeting. At least annually, the Board shall review a report of the Compensation Committee reviewing this position description and such corporate goals and objectives.

Director Development and Evaluation

Each new director shall participate in the Corporation's initial orientation program. At least annually, the Board shall review the Corporation's initial orientation program.

No Rights Created

This Mandate is a statement of broad policies and is intended as a component of the flexible governance framework within which the Board, assisted by its committees, directs the business and affairs of the Corporation. While it should be interpreted in the context of all applicable laws, regulations and listing requirements, as well as in the context of the Corporation's articles and by-laws, it is not intended to establish any legally binding obligations.

Adopted: June 28, 2012

APPENDIX "C"

MONGOLIA GROWTH GROUP LTD.

AUDITED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

Mongolia Growth Group Ltd.

Consolidated Financial Statements
December 31, 2011
(expressed in Canadian dollars)

April 30, 2012

Independent Auditor's Report

To the Shareholders of
Mongolia Growth Group Ltd.

We have audited the accompanying consolidated financial statements of Mongolia Growth Group Ltd. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010 and the consolidated statements of operations, comprehensive income (loss), changes in equity and cash flows for the years ended December 31, 2011 and December 31, 2010, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Mongolia Growth Group Ltd. and its subsidiaries as at December 31, 2011, December 31, 2010 and January 1, 2010 and their financial performance and their cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Accountants

PricewaterhouseCoopers LLP, Chartered Accountants
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Mongolia Growth Group Ltd.

Consolidated Statements of Financial Position

(expressed in Canadian dollars)

	December 31, 2011 $	December 31, 2010 $	January 1, 2010 $
Assets			
Current assets			
Cash and cash equivalents (note 5)	20,078,948	138,201	382,776
Investments and marketable securities (note 6)	2,569,778	-	-
Other assets (note 7)	427,949	18,646	6,905
Reinsurance assets (note 8)	7,760	-	-
Deferred acquisition expenses (note 9)	15,175	-	-
	23,099,610	156,847	389,681
Non-current assets			
Investments and marketable securities (note 6)	1,446,983	-	-
Investment properties (note 10)	26,166,286	-	-
Deferred share issuance costs	-	-	15,410
Property and equipment (note 11)	4,624,010	-	-
Total assets	55,336,889	156,847	405,091
Liabilities			
Trade and accrued liabilities (note 12)	859,213	9,677	10,075
Income taxes payable (note 13)	819,096	-	-
Insurance contract liabilities (note 14)	361,820	-	-
Total liabilities	2,040,129	9,677	10,075
Equity			
Share capital (note 15)	51,681,818	438,547	438,547
Contributed surplus	1,846,475	47,872	47,872
Accumulated other comprehensive loss	(1,241,437)	-	-
Retained earnings (deficit)	1,009,904	(339,249)	(91,403)
Total equity	53,296,760	147,170	395,016
Total equity and liabilities	55,336,889	156,847	405,091

Approved by the Board of Directors

______________________ Director ______________________ Director

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

Mongolia Growth Group Ltd.

Consolidated Statements of Operations

For the years ended December 31, 2011 and 2010

(expressed in Canadian dollars)

	2011 $	2010 $
Revenue		
Net premiums earned (note 14)	77,786	-
Rental income	495,242	-
Other revenue	16,283	-
Total revenue	589,311	-
Expenses		
Salaries and wages	376,460	-
Other expenses (note 22)	1,584,692	248,899
Share based payment	1,798,603	-
Depreciation (note 11)	45,757	-
Financing charges	3,822	-
Total expense	3,809,334	248,899
Net investment income (loss) (note 6)	(344,246)	1,153
Unrealized gain on fair value adjustment on investment properties (note 10)	5,740,919	-
Net income (loss) for the year before income taxes	2,176,650	(247,846)
Provision for income taxes (note 13)	(827,497)	-
Net income (loss) for the year	1,349,153	(247,846)
Net income (loss) per share (note 15)		
Basic	$0.06	$(0.10)
Diluted	$0.05	$(0.10)

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

Mongolia Growth Group Ltd.

Consolidated Statements of Comprehensive Income (Loss)

For the years ended December 31, 2011 and 2010

(expressed in Canadian dollars)

	2011 $	2010 $
Net income (loss) for the year	1,349,153	(247,846)
Other comprehensive loss - net of taxes		
Unrealized losses on translation of financial statement operations with Mongolian MNT functional currency to Canadian dollar reporting currency	(1,241,437)	-
Total comprehensive income (loss)	107,716	(247,846)

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

Mongolia Growth Group Ltd.

Consolidated Statements of Changes in Equity

For the years ended December 31, 2011 and 2010

(expressed in Canadian dollars)

	Share capital $	Contributed surplus $	Accumulated other comprehensive loss $	Retained earnings (deficit) $	Total $
Balance at January 1, 2010	438,547	47,872	-	(91,403)	395,016
Net loss for the year	-	-	-	(247,846)	(247,846)
Balance at December 31, 2010	438,547	47,872	-	(339,249)	147,170
Balance at January 1, 2011	438,547	47,872	-	(339,249)	147,170
Net income for the year	-	-	-	1,349,153	1,349,153
Other comprehensive income	-	-	(1,241,437)	-	(1,241,437)
	438,547	47,872	(1,241,437)	1,009,904	254,886
Share based payment	-	1,798,603			1,798,603
Share capital issued (note 15)	51,571,284		-	-	51,571,284
Share issue costs (note 15)	(328,013)	-	-	-	(328,013)
Balance at December 31, 2011	51,681,818	1,846,475	(1,241,437)	1,009,904	53,296,760

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

Mongolia Growth Group Ltd.

Consolidated Statements of Cash Flows

For the years ended December 31, 2011 and 2010

(expressed in Canadian dollars)

	2011 $	2010 $
Cash provided by (used in)		
Operating activities		
Net income (loss) for the year	1,349,153	(247,846)
Items not affecting cash		
Net realized loss on sale of financial assets (note 6)	592,277	-
Depreciation of property and equipment (note 11)	45,757	-
Share based payment	1,798,603	-
Unrealized gain on fair value adjustment on investment properties (note 10)	(5,740,919)	-
Non-cash financing charges	-	15,410
	(1,955,129)	(232,436)
Net change in non-cash working capital balances (note 20)	1,598,214	(12,139)
	(356,915)	(244,575)
Financing activities		
Proceeds from share issuance (note 15)	51,571,284	-
Cost of issue of shares (note 15)	(328,013)	-
	51,243,271	-
Investing activities		
Purchase of investments	(48,706,825)	-
Disposition of investments	44,097,787	-
Net acquisition of property and equipment	(4,666,159)	-
Acquisition of investment properties	(20,425,367)	-
	(29,700,564)	-
Effect of exchange rates on cash	(1,245,045)	-
Increase (decrease) in cash and cash equivalents	19,940,747	(244,575)
Cash and cash equivalents - Beginning of year	138,201	382,776
Cash and cash equivalents - End of year	20,078,948	138,201
Income taxes paid	-	-

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

(expressed in Canadian dollars)

1 Corporate information

Mongolia Growth Group Ltd. (formerly Summus Capital Corp.) (MGG or the Company) was incorporated in Alberta on December 17, 2007, and is an early stage real estate and financial conglomerate, focusing its operations in the emerging economy of Mongolia. On February 2, 2011, present management of the Company purchased 320,500 common shares of the corporation formerly known as Summus Capital Corp. (Summus), from the founding management. The Company also filed articles of amendment renaming the Corporation "Mongolia Growth Group Ltd.", cancelled all stock options and consolidated the common shares of the corporation at a ratio of 1:2; as well as filed an application for the de-listing of the common shares from the NEX board of the TSXV and filed an application for the listing of common shares on the Canadian National Stock Exchange (CNSX). The Company is now listed on the CNSX, having the symbol YAK.

MGG has two wholly-owned subsidiaries, Mongolia Barbados Corp. and Mandal General Insurance LLC. Mongolia Barbados Corp. owns the wholly-owned subsidiaries Mongolia Fidelity Holding Corp., its wholly-owned subsidiary Mandal Universal LLC and Big Sky Capital LLC. Big Sky Capital LLC owns the wholly-owned subsidiaries Chaos LLC, Carrollton LLC, Biggie Industries LLC, Orpheus LLC, Endymion LLC, Zulu LLC, Crescent City LLC and Babylon LLC (together "the investment property operations"). The insurance operations are conducted in Mandal General Insurance LLC and the investment property operations are conducted in Big Sky Capital LLC and its subsidiaries. No active business operations occur in Mongolia Barbados Corp., Mongolia Fidelity Holding Corp. Mandal Universal LLC, Crescent City LLC, Chaos LLC and Babylon LLC at this time.

Both the investment property operations and the insurance operations are in their first year of operations. As at December 31, 2010, the Company had no business or assets other than cash and non-cash working capital.

The Company is registered in Alberta, Canada, with its Head Office at its registered address at 1400, 700-2nd Street W, Calgary, Alberta, Canada. The Company is domiciled out of the Company's corporate office and principal place of business which is located at 706 - 34 Cumberland St. N., Thunder Bay, Ontario, P7A 4L3, Canada. The Company also has a business office for the Mongolian investment property and insurance companies at the corner of Chinggis Ave. and Seoul St. in Ulaanbaatar, Mongolia.

The Company is organized into three 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 or both;

- Mandal General Insurance offers insurance products in Mongolia covering all common general insurance types. The Company's main lines of business are motor insurance, including voluntary motor third party liability, property, accident medical and travel and liability insurance;

- The MGG Corporate office is located in Thunder Bay, Canada and administers the financial resources, investment portfolio and corporate reporting and legal functions of the Company.

(expressed in Canadian dollars)

2 Basis of presentation and adoption of International Financial Reporting Standards (IFRS)

The consolidated financial statements of the Company have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board (IASB). For all periods up to and including the period ended December 31, 2010, the Company prepared its financial statements in accordance with Part V Pre-Changeover Accounting Standards, of the Canadian Institute of Chartered Accountants Handbook, Canadian generally accepted accounting principles (Canadian GAAP). Canadian GAAP differs in some areas from IFRS and as such, in preparing these financial statements, the Company has amended certain accounting policies previously applied in the Canadian GAAP financial statements. Explanations of the impact of the transition to IFRS as of December 31, 2010 and January 1, 2010 on the financial position, financial performance and cash flows can be found in note 23.

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).

These consolidated financial statements were approved by the Board of Directors of the Company for issue on April 30, 2012.

3 Significant accounting policies

a) Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and available-for-sale (AFS) with the exception of insurance contract liabilities which are measured on a discounted basis in accordance with accepted actuarial practice (which in the absence of an active market provides a reasonable proxy of fair value) as explained throughout this note.

b) Basis of consolidation

These financial statements include the assets, liabilities, equity, revenues, expenses and cash flows of MGG and its wholly-owned subsidiaries. Subsidiaries are entities controlled by MGG. Control exists when MGG has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of the subsidiaries are prepared for the same reporting year as MGG, using consistent accounting policies. Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

(expressed in Canadian dollars)

c) Financial instruments

Financial assets

Financial assets are classified into one of the following categories: AFS, FVTPL, or loans and receivables. The classification depends on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

i) Available-for-sale financial assets

AFS financial assets are non-derivatives that are either designated in this category or do not fit into any other category. AFS financial assets are initially measured at fair value on the consolidated statement of financial position from the trade date. Subsequent to initial recognition, AFS financial assets are carried at fair value with changes in fair values recorded, net of income taxes, in other comprehensive income (OCI) until the AFS financial asset is disposed of or has become impaired. When the AFS financial asset is disposed of or has become impaired, the accumulated fair value adjustments recognized in accumulated other comprehensive income (AOCI) are transferred to the consolidated statement of operations.

ii) Fair value through profit or loss

Financial assets at FVTPL are financial assets held for trading. A financial asset is classified in this category if it is acquired principally for selling in the short term. Derivatives are also categorized as held for trading unless they are designated as hedges. FVTPL instruments are carried at fair value in the consolidated statement of financial position with changes in fair value recorded in the consolidated statement of operations.

iii) Loans and receivables

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specific date or dates, or on demand. They are initially recognized at cost, being the fair value of the consideration paid for the acquisition of the investment. After initial measurement, loans and receivables are measured at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs.

(expressed in Canadian dollars)

Impairment on financial assets

All financial assets other than FVTPL instruments are assessed for impairment at each reporting date. The Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or group of financial assets.

AFS debt instruments

An AFS debt security would be identified as impaired when there is objective evidence suggesting that timely collection of the contractual principal or interest is no longer reasonably assured. This may result from a breach of contract by the issuer, such as a default or delinquency in interest or principal payments, or evidence that the issuer is in significant financial difficulty. Impairment is recognized through net income or loss in the consolidated statement of operations. Subsequent declines in value continue to be recorded through net income or loss in the consolidated statement of operations. Impairment losses previously recorded through net income or loss in the consolidated statement of operations are to be reversed if the fair value subsequently increases and the increase can be objectively related to an event occurring after the impairment loss was recognized.

AFS equity instruments

Objective evidence of impairment exists if there has been a significant or prolonged decline in the fair value of the investment below its cost or if there is a significant adverse change in the technological, market, economic, political or legal environment in which the issuer operates or the issuer is experiencing financial difficulties.

The accounting for an impairment that is recognized in net income or loss in the consolidated statement of operations is the same as described for AFS debt securities above with the exception that impairment losses previously recognized in net income or loss in the consolidated statement of operations cannot be subsequently reversed until the instrument is disposed of. Any subsequent increase in value is recorded in OCI.

Financial liabilities

Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred, and are comprised of trade payables and accrued liabilities. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Trade payables and accrued liabilities represent liabilities for goods and services provided to the Company prior to the end of the period which are unpaid. Trade payable amounts are unsecured and are usually paid within 30 days of recognition.

(expressed in Canadian dollars)

Fair value of financial instruments

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. Financial assets and liabilities recorded at fair value in the consolidated statement of financial position are measured and classified in a hierarchy consisting of three levels for disclosure purposes. The three levels are based on the priority of the inputs to the respective valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). An asset or liability's classification within the fair value hierarchy is based on the lowest level of significant input to its valuation. The input levels are defined as follows:

- Level 1 fair value measurements are those derived from unadjusted quoted prices in an active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from quoted prices in markets that are not active or inputs that are observable for the asset or liability, either directly (i.e., as price) or indirectly (derived from prices).
- Level 3 fair value measurements are those derived from unobservable inputs that are supported by little or no market activity and are significant to the estimated fair value of the assets or liabilities.

The Company has implemented the following classifications:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities

- The Company defines active markets based on the frequency of valuation and any restrictions or illiquidity on disposition of investments. The size of the bid/ask spread is used as an indicator of market activity for fixed maturity securities. Assets measured at fair value and classified as Level 1 include cash and cash equivalents, and investments and marketable securities. Fair value is based on market price data for identical assets obtained from the investment custodian, investment managers or dealer markets. The Company does not adjust the quoted price for such instruments.

Level 2: Quoted prices in markets that are not active or inputs that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices)

- Level 2 inputs include observable market information, including quoted prices for assets in markets that are considered less active. Assets measured at fair value and classified as Level 2 include investments and marketable securities. Fair value is based on or derived from market price data for same or similar instruments obtained from the investment custodian, investment managers or dealer markets.

(expressed in Canadian dollars)

Level 3: Unobservable inputs that are supported by little or no market activity and are significant to the estimated fair value of the assets or liabilities

- Level 3 assets and liabilities would include financial instruments whose values are determined using internal pricing models, discounted cash flow methodologies, or similar techniques that are not based on observable market data, as well as instruments for which the determination of estimated fair value requires significant management judgement or estimation.

d) Investment properties

Investment properties include properties held to earn rental revenue, for capital appreciation or both. Investment properties are initially measured at fair value which is the purchase price plus any directly attributable expenditures. Investment properties are subsequently measured at fair value, which reflects market conditions at the date of the statement of financial position. Gains or losses arising from changes in the fair value of investment properties are recognized in the consolidated statement of operations in the year they arise. A key characteristic of an investment property is that it generates cash flows largely independently of the other assets held by an entity. Subsequent expenditure is included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to MGG and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the consolidated statement of operations during the financial period in which they occur. Substantially all of the Company's income properties and properties under development are investment properties.

The fair value of investment properties was based on the nature, location and condition of the specific asset. The fair value is calculated at December 31, 2011 by an independent, professional, qualified appraisal firm, whose appraisers hold recognized relevant, professional qualifications and who have recent experience in the locations and categories of the investment properties valued.

Investment properties which were purchased after November 1, 2011 with a carrying value of 19% were not valued by the external appraisal firm as the carrying value was deemed to be a close approximation to the fair value at December 31, 2011. Overall, the external appraisal firm performed valuations on 81% of the total carrying value of investment properties. For investment properties valued by the appraiser, the carrying value of the investment properties that were valued at December 31, 2011 agree to the valuation report by the external appraisal firm.

Property held under an operating lease is not classified as investment properties. Instead, these leases are accounted for in accordance with Leases (IAS 17). However, certain land leases held under an operating lease are classified as investment properties when the definition of an investment property is met. At inception these leases are recognized at the lower of the fair value of the property and the present value of the minimum lease payments and an equivalent obligation is recognized as a lease liability.

(expressed in Canadian dollars)

Some properties may be partially occupied by the Company, with the remainder being held for rental income or capital appreciation. If that part of the property occupied by the Company can be sold separately, the Company accounts for the portions separately. The portion that is owner-occupied is accounted for under IAS 16, and the portion that is held for rental income, capital appreciation or both is treated as investment property under IAS 40. When the portions cannot be sold separately, the whole property is treated as investment property only if an insignificant portion is owner-occupied. The Company considers the owner-occupied portion as insignificant when the property is more than 90% held to earn rental income or capital appreciation. In order to determine the percentage of the portions, the Company uses the size of the property measured in square metres.

e) Assets held for sale

Assets, or disposal groups comprising assets and liabilities, are categorized as held for sale at the point in time when the asset or disposal group is available for immediate sale, management has committed to a plan to sell and is actively locating a buyer at a sales price that is reasonable in relation to the current fair value of the asset, and the sale is probable and expected to be completed within a one year period. Investment property that is to be disposed of without redevelopment has been determined to not have a change in use and continues to be recorded in investment property. Investment property that has evidence of commencement of redevelopment with a view to sell is transferred to assets held for sale. Investment properties are measured by the guidelines of IAS 40 - Investment Property. All other assets held for sale are stated at the lower of carrying amounts and fair value less selling costs. An asset that is subsequently reclassified as held and in use, with the exception of investment property measured under the fair value model, is measured at the lower of its recoverable amount and the carrying value that would have been recognized had the asset never been classified as held for sale.

The results of operations associated with disposal groups sold, or classified as held for sale, are reported separately as income or loss from discontinued operations

f) Revenue recognition

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

i) Rental revenue

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

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

(expressed in Canadian dollars)

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

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

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

ii) Insurance revenues

Revenue from insurance operations is comprised of net premiums earned.

Premiums written are deferred as unearned premiums and recognized in the consolidated statement of operations over the terms of the underlying policies on a pro rata basis. Premiums written are gross of any commissions and amounts ceded to reinsurers.

Premiums ceded on insurance contracts are recognized as a reduction of gross premiums when payable or on the date the policy is effective.

iii) Investment income

Investment income is recorded as it accrues using the effective interest method. Dividend income on shares is recorded on the ex-dividend date. Gains and losses are determined and recorded as at the trade date, and are calculated on the basis of average cost. The effective interest rate method is used to amortize premiums or discounts on the purchase of AFS bonds.

g) Product classification

Insurance contracts are those contracts where the Company has accepted significant insurance risk from another party (the policyholders) by agreeing to indemnify the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines if it has significant insurance risk by comparing benefits paid with benefits payable if the insured event did not occur. All of the Company's insurance contracts are classified as insurance contracts as defined by IFRS.

Liability insurance contracts protect the Company's customers against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non-contractual events. The typical protection offered is designed for employers who become legally liable to pay compensation to injured employees (employers' liability) and for customers (individuals and legal entities) who become liable to pay compensation to a third party for bodily harm or property damage (public liability).

(expressed in Canadian dollars)

The Company's motor portfolio comprises both voluntary third party liability insurance (driver liability insurance) and motor insurance. Motor third party liability insurance covers bodily injury claims and property claims. Property damage under motor insurance, as well as bodily injury claims, are generally reported and settled within a short period of the accident occurring.

Property insurance ensures that Company's customers are paid compensation for the damage caused to their property or ensures their financial interests.

h) Claims and insurance benefits incurred

Gross claims and insurance benefits incurred include all claims and insurance benefits occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, reduced for the value of salvage and subrogation.

Reinsurance claims and insurance benefits are recognized when the related gross insurance claim is recognized according to the terms of the relevant reinsurance contracts.

i) Insurance contract liabilities

Insurance contract liabilities includes unearned premiums and unpaid claims. Unpaid claims are initially established by the case method as claims are reported. The estimates are regularly reviewed and updated as additional information on the estimated unpaid claims becomes known and any resulting adjustments are included in the consolidated statement of operations as incurred. Insurance contract liabilities are determined using accepted actuarial practices. The bases used for estimating the Company's insurance contract liabilities are described below:

Unearned premiums

Unearned premiums are calculated on a pro rata basis, from the unexpired portion of the premiums written and are recognized over the term of the insurance contract in Net premiums earned on the consolidated statement of operations.

At the end of each reporting period, a liability adequacy test is performed, in accordance with IFRS, to validate the adequacy of unearned premiums and deferred acquisition expenses. A premium deficiency would exist if unearned premiums are deemed insufficient to cover the estimated future costs associated with the unexpired portion of written insurance policies. A premium deficiency would be recognized immediately as a reduction of deferred acquisition expenses to the extent that unearned premiums plus anticipated investment income is not considered adequate to cover all deferred acquisition expenses and related insurance claims and expenses. If the premium deficiency is greater than the unamortized deferred acquisition expenses, a liability is accrued for the excess deficiency.

(expressed in Canadian dollars)

Unpaid claims

A provision is also made for management's calculation of factors affecting future development of unpaid claims including claims incurred but not reported (IBNR). IBNR is determined for each line of business under the expected loss method. Under the expected loss method, ultimate losses are based upon some prior measure of the anticipated losses as a percentage of earned premium. The expected loss ratios were based on Mongolian industry experience and the estimates used in setting the insurance subsidiary's premium rates. Estimates of salvage and subrogation recoveries are included in the estimated unpaid claims. The unpaid claims are discounted for the time value of money utilizing a discount rate based on the expected return of the investment portfolio and prevailing inflation rates that approximates the cash flow requirements of the unpaid claims. To recognize the uncertainty inherent in determining the unpaid claims amounts, the Company includes a Provision for Adverse Deviations (PFADs) relating to claim development and future investment income.

Reinsurance contracts held

The Company cedes reinsurance in the normal course of business. Ceded reinsurance contracts do not relieve the Company from its obligations to policyholders. Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held.

The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts. Reinsurance premiums ceded and reinsurance recoveries on losses incurred are recorded as reductions of the respective income and expense accounts.

The Company assesses its reinsurance assets for impairment on an annual basis. If there is objective evidence that the reinsurance asset is impaired the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the consolidated statement of operations. The Company gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is calculated following the same method used for these financial assets.

Deferred acquisition expenses

Certain costs of acquiring and renewing insurance contracts, such as commissions and other acquisition costs, are deferred to the extent they are considered recoverable and are expensed in the accounting period, in which the related premiums are recognized as revenue.

(expressed in Canadian dollars)

j) Cash and cash equivalents

Cash and cash equivalents include cash at bank, deposits held at call with banks, other short-term bank deposits and highly liquid investments with an original term to maturity of three months or less at the date of purchase that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

k) Property and equipment

On initial recognition, property and equipment are valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in a manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items.

Property and equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses. All repairs and maintenance costs are charged to the consolidated statement of operations during the period in which they occur.

Depreciation is recognized in the consolidated statement of operations and is provided on a straight-line basis over the estimated useful life of the assets as follows:

Buildings	Straight-line over 40 years
Furniture and fixtures	Straight-line over 5 to 10 years
Equipment	Straight-line over 1 to 5 years
Vehicles	Straight-line over 10 years

Impairment reviews are performed when there are indicators that the net recoverable amount of an asset may be less than the carrying value. The net recoverable amount is determined as the higher of an asset's fair value less cost to sell and value in use. Impairment is recognized in the consolidated statement of operations, when there is objective evidence that a loss event has occurred which has impaired future cash flows of an asset. In the event that the value of previously impaired assets recovers, the previously recognized impairment loss is recovered in the consolidated statement of operations at that time.

An item of property and equipment is derecognized upon disposal or when no further economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of operations in the period the asset is derecognized.

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(expressed in Canadian dollars)

l) Income taxes

Income taxes are comprised of both current and deferred taxes. Current tax and deferred tax are recognized in the statement of operations except to the extent that it relates to items recognized in OCI or directly in equity. In this case, the tax is recognized in OCI or directly in equity respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the consolidated statement of financial position date in the countries where the Company and its subsidiaries operate and generate taxable income and are measured at the amount expected to be recovered from or paid to the taxation authorities for the current and prior periods.

Deferred income tax assets and liabilities are recorded for the expected future income tax consequences of events that have been included in the consolidated financial statements or income tax returns. Deferred income taxes are provided for using the liability method. Under the liability method, deferred income taxes are recognized for all significant temporary differences between the tax and financial statement bases for assets and liabilities and for certain carry-forward items, such as losses and tax credits not utilized from prior years. However, if the deferred income tax arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable income, it is not accounted for.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where, in the opinion of management, it is probable that future taxable profit will be available against which the deferred tax asset can be realized. Deferred income tax assets and liabilities are adjusted for the effects of changes in tax laws and rates, on the date the changes in tax laws and rates have been enacted or substantively enacted.

m) Foreign exchange transactions

Foreign currency transactions are translated at the rate of exchange in effect on the dates they occur.

Gains and losses arising as a result of foreign currency transactions are recognized in the current year consolidated statement of operations.

(expressed in Canadian dollars)

Translation of foreign operations

For the purpose of the consolidated financial statements, the results and financial position of the Mongolian operations are expressed in Canadian dollars, which is the functional currency of the parent, and the presentation currency of the consolidated financial statements.

The Company translates the assets, liabilities, income and expenses of its Mongolian operations which have a functional currency of MNT, to Canadian dollars on the following basis:

- Assets and liabilities are translated at the closing rate of exchange in effect at the consolidated statement of financial position date.
- Income and expense items are translated using the average rate for the month in which they occur, which is considered to be a reasonable approximation of actual rates.
- Equity items are translated at their historical rates.
- The translation adjustment from the use of different rates is included as a separate component of equity.

n) Comprehensive income

Comprehensive income consists of net income (loss) and OCI. OCI includes unrealized gains or losses on AFS financial assets, net of amounts reclassified to the statement of operations, and unrealized gains (losses) on the translation of financial statement operations with Mongolian MNT functional currency.

o) Share capital and deferred share issuance costs

Ordinary shares issued by the Company are classified as equity.

Costs directly identifiable with the raising of capital will be charged against the related share issue, net of any tax effect. Costs related to shares not yet issued are recorded as deferred financing costs. These costs will be deferred until the issuance of the shares to which the costs relate, at which time the costs will be charged against the related share issuance or charged to operations if the shares are not issued.

(expressed in Canadian dollars)

p) Share based payment

The Company offers share based payment plans for directors, executive management, key employees and other key service providers. The purpose of the share based payment plan is to enhance the ability of the Company to attract and retain Directors, executive management, key employees and other key service providers whose training, experience and ability will contribute to the effectiveness of the Company and to directly align their interests with the interests of shareholders.

The Company's share based payment plans provide for the granting of stock options to independent Directors, executive management, key employees and other key service providers. Each stock option entitles the participant to receive one common share and can only be settled with the issuance of common shares, and as a result, is deemed to be an equity-settled share based payment transaction. Share based payment expense is measured based on the fair market value of the Company's shares at the grant date. The associated compensation expense is recognized over the vesting period or service period, whichever is shorter based on the number of rewards that are expected to vest. Fair value of the goods and services received has been determined based on management's estimate of current market rates for those services that could be exchanged by independent willing third parties.

Share based payment arrangements to other key service providers in which the Company receives properties, goods or services as consideration for its own equity instruments are measured at the fair value of the properties, goods or services received. Fair value of the goods and services received has been determined based on management's estimate of current market rates for those services that could be exchanged by independent willing third parties. If the identifiable consideration received by the Company appears to be less than the fair value of the stock options granted, the Company will perform an assessment to determine if unidentifiable goods or services has been, or will be, received by the Company. The unidentifiable goods or services are then measured at the grant date.

The fair value of stock options granted is measured using the Black-Scholes option pricing model.

Agent options granted as compensation for the issuance of shares are charged to share issue costs.

Any consideration received upon the exercise of stock options is credited to common shares. In the event that vested stock options expire without being exercised, previously recorded compensation costs associated with such options are not reversed.

q) Earnings (loss) per share

The Company presents basic and diluted earnings (loss) per share (EPS) data for its common shares. Basic EPS is calculated by dividing the results of operations attributable to ordinary shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted EPS is determined by adjusting the results of operations attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares, which comprise share options.

(expressed in Canadian dollars)

r) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of operations, has been identified as the Chief Executive Officer. The Company is managed as three operating segments based on how information is produced internally for the purpose of making operating decisions. The segments are defined as investment property operations, insurance operations and corporate.

s) Leases

The Company has entered into Mongolian government land leases on some of its investment properties. The Company, as a lessee, has determined, based on an evaluation of the terms and conditions of the arrangements, that these land leases meet the definition of an investment property and has classified them as such. At inception, these leases are recognized at the lower of the fair value of the property and the present value of the minimum lease payments and an equivalent lease obligation is recognized.

The Company has entered into commercial and residential property leases on its investment properties. The Company as a lessor, has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains the significant risks and rewards of ownership of these properties and therefore accounts for these agreements as operating leases.

t) Provisions and contingent liabilities

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of the provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense of any provision is recognized in the consolidated statement of operations net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

Contingent liabilities are disclosed if there is a possible future obligation as a result of a past event, or if there is a present obligation as a result of a past event but either a payment is not probable or the amount cannot be reasonably estimated.

(expressed in Canadian dollars)

u) Accounting standards and amendments issued but not yet adopted

The following is an overview of accounting standard changes that the Company will be required to adopt in future years. Except as noted for IFRS 7, IFRS 9, IAS 1 and IAS 12, the standards are applicable for periods beginning on or after January 1, 2013 with earlier adoption permitted.

IFRS 7 - "Financial Instruments: Disclosures"

IFRS 7 was amended by the IASB in October 2010, and requires entities to provide the disclosures for all transferred financial assets that are not recognized and for a continuing involvement in a transferred financial asset, existing at the reporting date, irrespective of when the related transfers transaction occurred. The amendment is effective for annual periods beginning on or after January 1, 2012. IFRS 7 was further amended by the IASB in December 2011. The amendment requires entities to provide disclosures related to offsetting financial assets and liabilities. The amendment is effective for annual periods beginning on or after January 1, 2014.

IFRS 9 - "Financial Instruments"

IFRS 9 was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 "Financial Instruments: Recognition and Measurement" for debt instruments with a new model only having two categories: amortized cost and fair value. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at FVTPL or at fair value through OCI. Where such equity instruments are measured at fair value through OCI that do not clearly represent a return of investment, the dividends are recognized in net income (loss) under net investment income; however, other gains and losses associated with such instruments remain in AOCI indefinitely.

Requirements for financial liabilities were added in October 2010 which largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at FVTPL would generally be recorded in OCI.

The IASB recently issued an amendment to this standard that delays the effective date from accounting periods beginning on or after January 1, 2013 to January 1, 2015. The amendment also modifies the relief from restating prior periods. As part of this relief, the IASB published an amendment to IFRS 7 to require additional disclosure on transition from IAS 39 to IFRS 9. The Company continues to monitor developments in this area.

IFRS 10 - "Consolidated Financial Statements"

IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. The IFRS defines the principle of control and establishes control as the basis for determining which entities are consolidated in the consolidated financial statements. The Company is in the process of evaluating the impact of the new standard on the Company's consolidated financial statements.

(expressed in Canadian dollars)

IFRS 11 - *"Joint Arrangements"*

IFRS 11 provides a new definition of joint arrangement focusing on the rights and obligations of the arrangement, rather than its legal form. The IFRS classifies joint arrangements into two types, joint operations and joint ventures. The Company is in the process of evaluating the impact of the new standard on the Company's consolidated financial statements.

IFRS 12 - "Disclosure of Interests in Other Entities"

IFRS 12 requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, its interest in other entities and the effects of those interests on its financial position, financial performance and cash flows.

Early adoption of IFRS 12 is only permitted if IFRS 10, IFRS 11, IFRS 12 and the consequential amendments to IAS 17 and IAS 18 are adopted at the same time, with the exception of early adopting only the disclosure provision for IFRS 12 without the other new standards. The Company is in the process of evaluating the impact of the new standard on the Company's consolidated financial statements.

IFRS 13 - "Fair Value Measurement"

IFRS 13 provides a definition of fair value, a single framework for measuring fair value and disclosure requirements about fair value measurements. The Company is in the process of evaluating the impact of the new standard on the Company's consolidated financial statements.

IAS 1 - "Presentation of Financial Statements"

IAS 1 was amended in 2011 to require earnings (loss) and OCI to be presented together either as a single statement of comprehensive income or separate income statement and statement of comprehensive income. The amendments also requires presentation of OCI based on whether or not the balance may subsequently be reclassified to net income, with the tax associated with each type of OCI based on whether or not the balance may subsequently be reclassified to net income (loss), with the tax associated with each type of OCI balance to be presented separately. IAS 1 amendments are to be applied for annual periods beginning on or after July 1, 2012 with earlier adoption permitted. The impact of the adoption of this standard on the components of the financial statements cannot be reasonably estimated at this time.

(expressed in Canadian dollars)

IAS 12 - "Income Taxes"

IAS 12 was amended to introduce an exception to the general measurement requirements of IAS 12 in respect to investment properties measured at fair value. These new amendments will be effective for the fiscal year beginning on or after January 1, 2012. The Company is in the process of evaluating the impact of the new standard on the Company's consolidated financial statements.

Currently the Company does not anticipate early adopting any of the future changes in accounting standards in advance of their mandatory effective date.

4 Significant accounting estimates and judgements

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

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

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

- Fair value of investment properties - The estimate of fair value of investment properties is the most critical accounting estimate to the Company. An external appraiser estimates the fair value of 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 10. Changes in assumptions about these factors could affect the carrying value of investment properties.

- Valuation of insurance contract liabilities - The estimate of the ultimate liability arising from claims made under insurance contracts is another critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. The ultimate cost of claims liabilities is estimated by using a range of standard actuarial claims projection techniques in accordance with Canadian accepted actuarial practice. Further information on methodology of the calculation and assumptions involved in estimating insurance contract liabilities including sensitivity analysis are disclosed in note 14.

(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 15.

- 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.

5 Cash and cash equivalents

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

The following table discloses the geographical location of cash and cash equivalents:

	December 31, 2011 $	December 31, 2010 $	January 1, 2010 $
Barbados	1,867,474	-	-
Canada	15,298,986	138,201	382,776
Mongolia	2,912,488	-	-
	20,078,948	138,201	382,776

	December 31, 2011 $	December 31, 2010 $	January 1, 2010 $
Cash	19,145,052	138,201	382,776
Cash equivalents	933,896	-	-
	20,078,948	138,201	382,776

(expressed in Canadian dollars)

Cash and cash equivalents are not collateralized. All amounts are classified as neither past due and not impaired.

Term deposits with banks included in cash and cash equivalents have original maturities of less than three months and bear interest at a rate of 6.6% per annum. The settlement and term deposits are placed in commercial banks operating in Mongolia. The carrying amount of cash and cash equivalents approximates fair value.

The credit quality of cash and cash equivalents balances may be summarized based on Standard and Poor's ratings or equivalents of Moody's and/or Fitch ratings. The credit quality at December 31, 2011 was as follows:

	$
Cash on hand	3,016
A or A+ rated	17,160,922
-B or B+ rated	2,773,791
Unrated	141,219
Total cash and cash equivalents	20,078,948

The unrated balance relates to one commercial bank in Mongolia, which has not been rated by any rating agency and one private bank in Barbados which is also unrated.

6 Investments and marketable securities

a) Carrying and fair value of investments and marketable securities

The carrying and fair values of the Company's investment portfolio by financial instrument categories are as follows:

				December 31, 2011
	Classified as loans and receivables $	Designated as FVTPL $	Total carrying value $	Total fair value $
Money market fund				
Barbados	-	511,253	511,253	511,253
Term deposits				
Canada	40,305	-	40,305	40,305
Mongolia	3,465,203	-	3,465,203	3,465,203
	3,505,508	511,253	4,016,761	4,016,761

There were no investments or marketable securities at December 31, 2010 and January 1, 2010.

(expressed in Canadian dollars)

Deposits with Mongolian banks are denominated in Mongolian National Tögrögs and are placed with four commercial banks operating in Mongolia. Deposits with Mongolian banks are neither past due nor impaired and are not collateralized. All deposits bear fixed interest rates ranging from 11% to 15.6%.

Deposits with financial institutions in Canada bear a fixed interest rate of 0.8%.

b) Fair value hierarchy

The Company has categorized its assets measured at fair value into the three-level fair value hierarchy as summarized below, based upon the priority of the inputs to the respective valuation technique as defined in note 3:

	December 31, 2011	
	Level 1 $	**Total** $
FVTPL		
Money market fund	511,253	511,253

The Company did not have any financial assets measured at fair value at December 31, 2010 and January 1, 2010.

The Company has not adjusted the quoted price for any instruments included in Level 2. There are no investments that meet the Level 2 or 3 fair value measurement criteria. No investments were transferred between levels in 2011 and 2010.

c) Credit quality of investments and marketable securities

The credit quality of investments and marketable securities may be summarized based on Standard and Poor's ratings or equivalents of Moody's and/or Fitch ratings. The credit quality at December 31, 2011 was as follows:

	$
A+ rated	40,305
-B or B+ rated	2,666,708
Unrated	1,309,748
	4,016,761

The unrated balance relates to one commercial bank in Mongolia, which has not been rated by any rating agency and one private bank in Barbados which is also unrated.

(expressed in Canadian dollars)

d) Maturity schedule of fixed-term investments

	One year or less $	One to five years $	Five to ten years $	More than ten years $	Total $
					December 31, 2011
Money market fund					
Barbados	511,253	-	-	-	511,253
Term deposits					
Canada	40,305	-	-	-	40,305
Mongolia	2,018,220	1,446,983	-	-	3,465,203
	2,569,778	1,446,983	-	-	4,016,761

The carrying amount of investments and marketable securities approximates fair value due to their short-term maturity. The carrying amount of the term deposits maturing in more than one year approximates their fair value as they were placed with the bank close to the end of fiscal 2011. Although these investments are classified as long-term, they are callable at any time.

e) Net investment income (loss)

	2011 $	2010 $
Net realized loss on sale of AFS financial assets	(592,277)	-
Interest income		
AFS term deposits and money market fund	252,946	-
Cash and cash equivalents	34,976	1,385
	(304,355)	1,385
Investment expense	(39,891)	-
Interest expense	-	(232)
	(39,891)	(232)
	(344,246)	1,153

f) Realized loss on sale of AFS financial assets

	2011 $	2010 $
Barbados AFS financial assets	(592,277)	-

(expressed in Canadian dollars)

7 Other assets

	December 31, 2011 $	December 31, 2010 $	January 1, 2010 $
Amounts due from policyholder	197,550	-	-
Accounts receivable	94,539	16,741	6,905
Prepaid expenses	135,860	1,905	-
	427,949	18,646	6,905

8 Reinsurance assets

	December 31, 2011 $
Reinsurers' share of provision for unearned premiums	7,760

The entire balance of reinsurance assets is considered to be current. There were no reinsurance assets at December 31, 2010 or January 1, 2010.

9 Deferred acquisition expenses

The movement in deferred acquisition expenses during the year was as follows:

	2011 $
Carrying amount at January 1	-
Acquisition expenses deferred	16,555
Acquisition expenses amortized	(1,379)
Foreign exchange adjustment	(1)
At December 31	15,175

The Company did not have any commission income from reinsurance during the period. There were no deferred acquisition expenses at December 31, 2010 or January 1, 2010.

(expressed in Canadian dollars)

10 Investment properties

	December 31, 2011 $
Balance - beginning of period	-
Additions	
Acquisitions[1]	21,621,505
Capital expenditures	819,698
Foreign currency translation	(2,015,836)
Unrealized fair value adjustment	5,740,919
Balance - end of period	26,166,286

(1) Acquisition of foreign investment properties have been translated to Canadian dollars at the historical exchange rate and adjusted to reflect the December 31, 2011 closing rate.

There were no investment properties at December 31, 2010 or January 1, 2010. Included in investment properties are properties actively being marketed for sale that are to be disposed of without redevelopment with a fair value of $1,757,511.

Investment properties within an aggregate fair value of $21,555,999 at December 31, 2011 were valued by an external independent valuation professional who is deemed to be qualified appraiser who holds a recognized, relevant, professional qualification and who has recent experience in the locations and categories of the investment properties valued. The carrying value of investment properties valued by the external appraiser at December 31, 2011 agrees to the valuations reported by the external appraiser.

The Company determined the fair value of investment properties using the sales comparison approach and the income approach, which are generally accepted appraisal methodologies.

Under the income approach, the methodology used was the direct capitalization approach which is based on rental income and yields. Rental incomes were based on actual rent adjusted for non-recoverable property costs. Yields were determined using data from real estate agencies, market reports and property location among other things in determining the appropriate assumptions.

Under the overall capitalization method, year one income is stabilized and capped at a rate deemed appropriate for each investment property. Commercial property has been fair valued under this approach.

The sales comparison approach analyzes all available information of sales of comparable properties that have recently taken place and adjusts the price to reflect differences in the property valued and sold. Residential property has been fair valued under this approach.

(expressed in Canadian dollars)

The key valuation assumptions for investment properties are as follows:

	December 31, 2011		
	Maximum	**Minimum**	**Weighted-average**
Capitalization rate	15.6%	7.6%	10.56%

Additional valuation assumptions include the rental revenue per square meter, grade quality of the property and comparable market data.

Investment properties held by the Company are leased out under operating leases. The future minimum lease payments under non-cancellable leases are as follows:

	December 31, 2011 $
Less than 1 year	688,026
Between 1 and 5 years	2,911,911
	3,599,937

Investment properties include land held under operating leases with an aggregate fair value of $3,670,841 at December 31, 2011.

Direct operating expenses arising from investment properties that generated rental income during the year was $623,615. Direct operating expenses arising from investment properties that did not generate rental income during the year was $13,892.

(expressed in Canadian dollars)

11 Property and equipment

					2011
	Furniture and fixtures $	Equipment $	Vehicles $	Buildings $	Total $
Cost					
At January 1	-	-	-	-	-
Additions	118,186	86,324	287,584	4,750,289	5,242,383
Disposals	-	-	(32,521)	-	(32,521)
Foreign exchange adjustment	(9,064)	(4,719)	(21,024)	(508,896)	(543,703)
At December 31	109,122	81,605	234,039	4,241,393	4,666,159

					2011
	Furniture and fixtures $	Equipment $	Vehicles $	Buildings $	Total $
Accumulated depreciation					
At January 1					
Depreciation	6,251	10,604	9,392	19,510	45,757
Foreign exchange adjustment	(471)	(678)	(774)	(1,685)	(3,608)
At December 31	5,780	9,926	8,618	17,825	42,149
Net book value at December 31	103,342	71,679	225,421	4,223,568	4,624,010

12 Trade and accrued liabilities

	December 31, 2011 $	December 31, 2010 $	January 1, 2010 $
Trade and accrued payables	688,808	9,677	10,075
Premiums received in advance	5,007	-	-
Security deposit	78,039	-	-
Unearned revenue	87,359	-	-
	859,213	9,677	10,075

The carrying amounts above reasonably approximate fair value at the balance sheet date. All trade and other payables are current.

(expressed in Canadian dollars)

13 Income taxes

a) Effective tax rate

The provision for income taxes reflects an effective tax rate that differs from the combined tax rate for Canadian federal and provincial corporate taxes for the following:

	2011 $	2010 $
Net income (loss) before income taxes	2,176,650	(247,846)
Combined statutory tax rate	28.25%	28%
Tax payable based on statutory tax rate	614,904	(69,397)
Effect of:		
Permanent differences	142,573	-
Tax rate variances of foreign subsidiaries	(397,239)	-
Deferred tax assets not recognized	373,505	69,397
Other	93,754	-
	827,497	-
Provision for income taxes		
Current	827,497	-
Deferred	-	-
	827,497	-

b) Deferred income taxes

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 Company did not recognize a deferred tax asset in these consolidated financial statements as there is uncertainty with regard to the recoverability of the asset for both the Canadian and Mongolian entities.

There were no deferred income tax assets or liabilities at December 31, 2010 or January 1, 2010.

There are $36,000 (2010 - nil) of non-capital loss carryforwards relating to the Mongolian entities that will expire in 2013. The Company also did not recognize deferred tax assets related to taxable temporary differences of $81,000. In accordance with Mongolian tax law, the taxable losses can be carried forward for two years and are deductible up to 50% of the taxable income of that year.

In accordance with Canadian tax law, the taxable losses can be forward twenty years. There are $1,293,266 (2010 - $359,352) of non-capital losses relating to the Canadian entity.

(expressed in Canadian dollars)

The losses expire as follows:

Non-capital loss $	Year of expiry
8,572	2028
75,387	2029
275,393	2030
933,914	2031

No future tax benefit has been recorded on these non-capital loss carry forwards as the timing for potential realization of these future benefits is uncertain.

14 Insurance contract liabilities

As the Company's insurance operations did not commence until fiscal 2011, there is no historical financial information disclosed related to insurance contract liabilities prior to January 1, 2011.

a) Insurance contract liabilities consist of:

			2011
	Insurance contract liabilities $	Reinsurers' portion $	Net $
Property and casualty			
Unearned premiums	310,993	(7,760)	303,233
Unpaid claims	50,827	-	50,827
Insurance contract liabilities	361,820	(7,760)	354,060
Current	361,820	(7,760)	354,060
Non-current	-	-	-
Insurance contract liabilities	361,820	(7,760)	354,060

(expressed in Canadian dollars)

b) The movements in unearned premiums for the year were:

			2011
	Insurance contract liabilities $	**Reinsurers' portion $**	**Net $**
At January 1	-	-	-
Gross premiums written	391,702	(10,683)	381,019
Premiums earned	(80,709)	2,923	(77,786)
At December 31	310,993	(7,760)	303,233

Gross premiums written and premiums earned include respective instalment service charges.

c) Property and casualty unpaid claims

			2011
	Gross unpaid claims $	**Reinsurers' portion $**	**Net $**
Provision for reported claims undiscounted	46,995	-	46,995
Effect of discounting	(3,627)	-	(3,627)
PFADs	7,459	-	7,459
	50,827	-	50,827

Management believes that the unpaid claims provision is appropriately established in the aggregate and is adequate to cover the ultimate net cost on a discounted basis. The determination of this provision, which includes unpaid claims, adjustment expenses and expected salvage and subrogation requires an assessment of future claims development. This assessment takes into account the consistency of the Company's claim handling procedures, the amount of information available, the characteristics of the line of business from which the claims arise and the delay inherent in claims reporting. This provision is an estimate and as such is subject to variability that may arise from future events, such as the receipt of additional claims information, changes in judicial interpretation of contracts or significant changes in frequency and severity of claims. As the insurance company is at a start-up stage, there is no historical loss information available. As a result, the Company has calculated the unpaid claims provision based on the expected loss method. Under the expected loss method, ultimate losses are based upon some prior measure of the anticipated losses relative to some measure of exposure, which the Company has used earned premium. The expected loss ratios were based on Mongolian industry experience and expected loss ratios used in determining the Company's premium rates. Any such changes in assumptions will be reflected in the consolidated statement of operations for the period in which the change occurred.

(expressed in Canadian dollars)

The loss ratios used in the calculations are as follows:

	December 31, 2011
Accident insurance	70%
Automobile insurance	55%
Property insurance	60%
Drivers' insurance	70%
Liability insurance	60%
Construction insurance	60%
Cargo insurance	60%

This estimate does reflect the time value of money. In that respect, the Company determines the discount rate based upon the expected return of investments held in the portfolio that approximates the cash flow requirements of the unpaid claims. The discount rate applied was 3% and then again at 2% to allow a margin for adverse deviations in the interest rate (2010 - nil). To recognize the uncertainty inherent in determining unpaid claim amounts, the Company includes PFADs relating to claim development, reinsurance recoveries and future investment income. Margins for claims development used for calculating the provision for adverse deviation range from 10% to 15% depending on the line of business.

Significant estimates used in the valuation of insurance contract liabilities are the discount rate and the expected loss ratios. A change in the discount rate by 2% or in the expected loss ratios by 10% would not have a material impact.

d) Net premiums earned for the year ended December 31, 2011 consist of:

	$
Gross premiums written	391,702
Premiums ceded	(10,683)
Increase in unearned premiums	(303,233)
Net premiums earned	77,786

(expressed in Canadian dollars)

15 Share capital and contributed surplus

a) Authorized

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

b) Common shares

The issued and outstanding common shares are as follows:

	Number of shares	Amount $
Balance December 31, 2009	3,514,300	438,547
Cancellation of shares	(550,000)	-
Balance, December 31, 2010	2,964,300	438,547
Consolidation of common shares (1:2)	1,482,150	-
Issued for cash	32,661,202	51,571,284
Share issue costs	-	(328,013)
Balance, December 31, 2011	34,143,352	51,681,818

Escrowed shares

According to the exchange policy, 550,000 of the former company's (Summus) issued shares, representing all of the Company's initial public offering were held in escrow and would have been released over a period of up to three years from acceptance of the Company's Qualifying Transaction. As a result of Summus not completing its qualifying transaction on time in line with the TSX-V policies, Summus was required by the TSX to cancel the remaining escrowed shares of 550,000

(expressed in Canadian dollars)

Common shares issued

The common shares issued during the year were completed through a series of four private placements. The shares issued and proceeds raised were as follows:

	Number of shares issued	Amount $
February 2, 2011 [(1)]	12,685,452	4,611,253
April 8, 2011	11,257,923	14,860,458
June 22, 2011	4,871,673	17,099,573
December 23, 2011	3,846,154	15,000,000
	32,661,202	51,571,284

[(1)] 25,370,904 shares were issued on February 2, 2011. Following this private placement there was a 2:1 share consolidation.

c) Stock options

	Number of options	Weighted average exercise price $
Balance December 31, 2009	351,428	0.20
Cancelled	(54,998)	(0.20)
Balance, December 31, 2010	296,430	0.20
Cancelled - prior share based payment plan	(296,430)	0.20
Granted	1,825,000	3.42
Forfeited - current share based payment plan	(128,000)	4.20
December 31, 2011	1,697,000	3.36

The Company has established a share based payment plan (the "Plan") to encourage ownership of its shares by key management personnel (directors and executive management), employees and other key service providers, and to provide compensation for certain services. The Plan provides for the issuance of stock options in an aggregate number of up to 10% of the Company's issued and outstanding shares, calculated from time to time. At December 31, 2011, the Company had 1,717,335 (2010 - nil) common shares available for the granting of future options under the new plan. The Company does not have any cash-settled transactions.

(expressed in Canadian dollars)

Pursuant to the Company's previous stock option plan, 351,428 stock options were granted to directors and officers on October 9, 2008. These options allowed the holder to acquire common shares at a price of $0.20 per share for each option exercised. The options were fully vested and were exercisable at any time prior to their expiry on October 9, 2013. Concurrent with the cancellation of the common shares of the Company on February 2, 2011, the Company also cancelled 296,430 of the stock options issued to its directors and officers.

On March 9, 2011, 600,000 options were granted to consultants of the Company. These options allow the holder to acquire common shares at a price of $1.64 per share for each option exercised. The options vest and become exercisable on March 9, 2014 and 500,000 are exercisable up until their expiry on March 9, 2021 and 100,000 expire March 9, 2014.

On April 25, 2011, 900,000 options were granted to employees and consultants of the Company. These options allow the holder to acquire common shares at a price of $4.20 per share for each option exercised. 650,000 of these options vest in four equal annual tranches each year over four years and expire on April 25, 2016. 75,000 of these options shall vest on April 25, 2013 and expire April 25, 2014. 175,000 of these options shall vest on April 25, 2013 and expire April 25, 2016.

On September 7, 2011, 175,000 options were granted to employees and consultants of the Company. These options allow the holder to acquire common shares at a price of $4.77 per share for each option exercised. 55,000 of these options vest in four equal annual tranches each year over four years and expire on September 7, 2016. 120,000 of these options shall vest and become exercisable on September 7, 2013 and expire on September 7, 2016.

On December 2, 2011, 150,000 options were granted to employees. These options allow the holder to acquire common shares at a price of $4.25 per share for each option exercised. These options vest in four equal annual tranches each year over four years and expire on December 2, 2016.

At period-end, the Company had nil options that were exercisable (2010 - 296,430).

(expressed in Canadian dollars)

A summary of the Company's options as at December 31, 2011 and December 31, 2010 and changes during the periods then ended follows:

	December 31, 2011	Weighted average exercise price $	December 31, 2010 $	Weighted average exercise price $
Balance, beginning of the year	296,430	0.20	351,428	0.20
Options cancelled	(296,430)	(0.20)	-	-
Options granted	1,825,000	3.42	-	-
Options forfeited	(128,000)	(4.20)	(54,998)	0.20
Balance, end of the year	1,697,000	3.36	296,430	0.20
Exercisable	-		296,430	
Weighted remaining average life (years)		5.7		2.8

The fair value associated with the options issued was calculated using the Black-Scholes model for options valuation, assuming volatility of 90% on the underlying units, a risk free interest rate ranging from 1.44% to 2.9% depending on the date the options were granted and a forfeiture rate of nil based on the composition of the option holders. Share prices for the calculation were the closing price on the CNSX on the date of issue of the options. The Company has assumed the options will be exercised at the end of the term of the option.

Being a newly listed entity, the Company considered its historical share price over the last ten months. However, given the lack of sufficient information on historical volatility, it also considered historical volatility of similar entities following a comparable period in their lives.

The approximate impact of an increase of 10% in the volatility assumption would decrease net income of the Company by $200,000. The approximate impact of a decrease of 10% in the volatility assumption would increase net income of the Company by $200,000.

(expressed in Canadian dollars)

The following options were issued, outstanding and exercisable at December 31, 2011:

			Options outstanding
Number outstanding	**Weighted average remaining life (years)**	**Weighted average exercise price $**	**Weighted average at grant date**
600,000	8.08	1.64	1.78
772,000	4.33	4.20	4.04
175,000	4.67	4.77	4.70
150,000	4.92	4.25	4.14
1,697,000	5.7	3.36	3.32

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

	2011 $	2010 $
Weighted average number of shares - basic	23,902,851	2,964,300
Effect of dilutive stock options	1,101,214	-
Weighted average number of shares - diluted	25,004,065	2,964,300

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

There have been no significant capital transactions from the reporting date to the date of this filing which have had a material impact on earnings per share.

(expressed in Canadian dollars)

16 Management of capital structure

The Company's objective when managing capital is to ensure the Company is capitalized in a manner which provides a strong financial position for its shareholders.

The Company's capital structure includes equity and working capital. In managing its capital structure, the Company considers future investment and acquisition opportunities, potential credit available and potential issuances of new equity. The Company's objective is to maintain a flexible capital structure that will allow it to execute its stated business. Upon acquiring investment properties and operating businesses, the Company will strive to balance its proportion of debt and equity within its capital structure in accordance with the needs of the continuing business. The Company may, from time to time, issue shares and adjust its spending to manage current and projected proportions as deemed appropriate.

The method used by the Company to monitor its capital is based on an assessment of the Company's working capital position relative to its projected obligations. At December 31, 2011, the Company's working capital was $25,063,975 (2010 - $147,170) and the Company had no debt.

	2011 **$**	**2010** **$**
Current assets	23,099,610	156,847
Current liabilities	2,040,129	9,677
Working capital	21,059,481	147,170

The Company's Mongolian insurance operations, Mandal General Insurance LLC, (Mandal) are regulated by the Mongolian insurance regulator, the Financial Regulatory Commission (FRC).

Mandal's objectives when managing capital are (i) to comply with capital requirements set by the Mongolian laws and FRC, and (ii) to safeguard Mandal's ability to continue as a going concern.

Insurance companies in Mongolia are subject to the following capital regulatory requirements prescribed by FRC:

- Compliance with the requirements to the minimal share capital set by FRC Order No.153 of June 25, 2009 "Order on approving minimum share capital requirement of general insurance company";
- Compliance with solvency ratio and solvency limit as set by FRC Order No. 211 of October 28, 2009 "Order on approving revised requirement on solvency ratio and limit calculations of general insurance company";
- Compliance with the requirements to the composition and structure of the assets as set by FRC Order No. 170 dating June 16, 2010 "Order on approving revised regulation on the requirement of capital allocation and investment of general insurance company".

(expressed in Canadian dollars)

Compliance with the above ratios is monitored by the Company on a quarterly basis with issuance of reports outlining their calculation reviewed and signed by the Chief Executive Officer of Mandal and submitted to FRC. As at December 31, 2011, Mandal complied with all aforementioned capital requirements except the solvency limit specified under FRC Order No. 211 of October 20, 2009 (note 19).

Mandal's share capital amount of $4,628,000 was above the regulatory minimum of $740 as stated in the Company Law and $740,000 in accordance with the minimum set by FRC.

17 Insurance and financial risk management

The Board of Directors ensures that management has put appropriate risk management processes in place. Through the Audit Committee, the Board oversees such risk management procedures and controls. Management provides updates to the Audit Committee on a quarterly basis with respect to risk management.

The principal risk the Company faces under insurance contracts is that actual claims or the timing thereof differ from expectations. This is influenced by the frequency of claims, severity of claims and subsequent development of long-term claims. Therefore the objective of the Company is to ensure sufficient reserves are available to cover these claims.

Insurance risk management

The Company principally issues the following types of property and casualty contracts: motor insurance, including voluntary motor-third party liability, property, accident and liability insurance.

The most significant risks that the Company must manage with respect to unpaid claims and other financial instruments are product and pricing, underwriting and liability, claim settlement, catastrophe and reinsurance, credit, market and liquidity risks.

Product and pricing risk

Product and pricing risk is the risk of financial loss from entering into insurance contracts when the liabilities assumed exceed the expectation reflected in the pricing of the insurance product. The Company prices its products by taking into account several factors including claims frequency, severity trends, product line expense ratios, special risk factors, capital requirements and investment income. These factors are reviewed and adjusted as needed on a regular basis to ensure they are reflective of current trends and market climate.

In some instances, the Company may choose to adjust prices to below what it feels is acceptable in order to maintain a competitive position. However, the Company attempts to maintain a pricing level that ensures it is able to produce an acceptable return.

(expressed in Canadian dollars)

Underwriting and liability risk

Underwriting and liability risk is the exposure to financial loss resulting from the selection and approval of risks to be insured, the retention and transfer of risks, the reserving and adjudication of claims, and the management of contractual and non-contractual product options.

The Company has specific underwriting guidelines for declining to issue, terminating, or refusing to renew a contract for each line of business. The underwriting guidelines for risk eligibility are developed in cooperation between the Risk Management Committee, MGG corporate management team and underwriting staff and the underwriting department. These guidelines must be developed in consideration of jurisdictional underwriting rules and comply with evolving jurisdictional regulation on restricted criteria. The Company considers stability, fairness and the expectations of its existing and potential policyholders when making deliberate changes to its underwriting rules.

The Company establishes a line guide that is utilized to ensure that the limits of insurance for a particular risk do not exceed the Company's net retention or maximum written limits and the proper approval authority for the risk is obtained. Net retention is the maximum amount of insurance the Company will retain on a single exposure.

Possible accumulation of large claims in such lines as property insurance, liability insurance and others is the major factor that could have a significant impact on the Company's financial cash flows and performance indicators. Based on this, the Company chooses a risk management policy and reinsurance protection management policy, so as to minimize the impact of this factor.

The above risk exposure is mitigated by diversification across a portfolio of insurance. All risks insured relate to Mongolian customers. Of the two large policies written close to year end, the largest is reinsured beginning January 1, 2012.

Identification and responding to insurance operation risk is the responsibility of the Chief Risk Officer (CRO). The CRO has annual objectives and an annual plan agreed with the Company's Chief Executive Officer. This includes risk management activities on insurance underwriting, claim processing, IT infrastructure, re-insurance activities, and overall risk management activities of Mandal.

Mandal has approved policies on policy underwritings, claim processing, actuarial activity, reinsurance activities, and operation of a Risk Management Committee. These policies define the procedures and approval limits for policy underwriting and claim activities for Mandal.

(expressed in Canadian dollars)

The Risk Management Committee is responsible for analyzing tariffs and conditions of policies, loss ratios, reinsurance and profitability assessment, as well as making decisions on claims. The meetings of the Risk Management Committee are held on a regular basis. The activities of this Committee are overseen and approved by the Board of Directors, which is responsible for making final decisions on introduction of new insurance products, approving Mandal's policies and procedures and dealing with strategic or other significant issues facing the Mandal. All significant transactions exposing Mandal to insurance risk are monitored by the Board of Directors. All insurance policies with risk above MNT 5 billion need to be approved by the Board of Directors. Mandal has defined limits for signing insurance contracts in order to ensure identification and monitoring of significant exposures. All insurance contracts are signed by the Company's CEO.

An analysis of premiums and claims by line of business for the year ended December 31, 2011 is provided in the following table:

	Accident medical and travel insurance $	Property insurance $	Motor insurance $	Cargo insurance $	Construction insurance $	Driver's liability insurance $	General liability insurance $	Other insurance $	Total $
Gross premiums written	70	350	12,557	73	108,724	2,629	267,197	102	391,702
Premiums ceded	(10,683)	-	-	-	-	-	-	-	(10,683)
Net premiums written	(10,613)	350	12,557	73	108,724	2,629	267,197	102	381,019
Change in provision for unearned premiums, gross (note 14)	(70)	(242)	(8,824)	(67)	(98,001)	(2,058)	(201,631)	(100)	(310,993)
Change in reinsurer share in provision for unearned premiums (note 14)	7,760	-	-	-	-	-	-	-	7,760
Net premiums earned	(2,923)	108	3,733	6	10,723	571	65,566	2	77,786
Gross claims paid	-	-	(120)	-	-	(644)	-	-	(764)
Claims ceded	-	-	-	-	-	-	-	-	-
Net claims paid	-	-	(120)	-	-	(644)	-	-	(764)
Change in loss provision - net of reinsurance (note 14)	-	(73)	(1,530)	(4)	(7,279)	(575)	(41,366)	-	(50,827)
Net claims incurred	-	(73)	(1,650)	(4)	(7,279)	(1,219)	(41,366)	-	(51,591)

(expressed in Canadian dollars)

Claim settlement

Under an insurance agreement, the insured party must notify the insurance company of a loss incurred within a clearly defined time period, limited to three days, as stated in most of Mandal's insurance contracts and/or policies. This relatively short time limit represents a common practice in the Mongolian insurance market.

Claims settlement processes are carried out in accordance with Mandal's claims policy. Mandal has a special subdivision, which is responsible for claims settlement. This subdivision collects all necessary information about accidents (i.e. loss occurring events), performs registration of claims, evaluates possible exposure and proceeds with disbursement of claims within determined limits. Insurance claims are paid only upon provision to Mandal of all necessary documents supporting occurrence of an insurance event. The claims settlement subdivision is also responsible for raising subrogation claims, preparation of reports on claims paid and claims reported, which are submitted to insurance managers.

Mandal has clearly defined limits related to claims approval and settlement process.

When a loss is claimed, Mandal notifies the relevant reinsurer on the loss claimed, if the insurance agreement was reinsured. Once Mandal pays the claim, it sends the payment documents to the reinsurer.

Mandal has reinsurance in force during the year to cede 100% of the risks associated with the accident medical and travel product line.

Claims development

The following table shows the estimate of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at the statement of financial position date, together with cumulative payments to date. The Company has elected to present its claims development on an accident year basis as this is consistent with how the business is managed. The Company has elected to translate claims payments using the average rate for the month in which they are paid, and estimated claims at the rate of exchange applicable at the end of each valuation year.

Catastrophe risk

During the year, the Company did not have insurance coverage related to its investment property portfolio or its buildings classified as own-use and recorded in property and equipment. Subsequent to year end, on March 3, 2012, the Company, through its insurance subsidiary, has obtained insurance on building and all permanent fixtures totalling approximately $25,000,000. Subsequent to issuing this policy, the Company's insurance subsidiary obtained a reinsurance agreement to cede 99% of the risk to Hannover Rc (90%) and People's Insurance Company of China (9%) related to this coverage.

(expressed in Canadian dollars)

The following table represents the development of claims on the gross and net basis as of December 31, 2011:

	2011 $	Total $
Accident year		
Estimate of cumulative incurred claims for the most recent year At end of accident year	47,759	47,759
Estimate of cumulative incurred claims for the most recent year	47,759	47,759
Cumulative payments to date	(764)	(764)
Insurance contract liabilities at December 31, 2011 (note 14)		46,995
Effect of discounting and PFADs on above		3,832
Total unpaid claims (note 14)		50,827

Credit risk

Credit risk is the risk of an unexpected financial loss to the Company if a third party fails to fulfill its performance obligations under the terms of a financial instrument. The Company's credit risk arises principally from the Company's cash and cash equivalents, investments and marketable securities and accounts receivable.

The following table summarizes the Company's maximum exposure to credit risk on the consolidated statement of financial position. The maximum credit exposure is the carrying value of the asset, net of any allowances for loss.

	December 31, 2011 $	December 31, 2010 $	January 1, 2010 $
Cash and cash equivalents	20,078,948	138,201	382,776
Investments and marketable securities	4,016,761	-	-
Amounts due from policyholders	197,550	-	-
Accounts receivable	94,539	16,741	6,905
Reinsurance assets	7,760	-	-
Maximum credit risk exposure on the consolidated statement of financial position	24,395,558	154,942	389,681

The Company'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 Company's investments consisted of institutional deposits. The majority of the funds invested are held in reputable Barbadian, Canadian or Mongolian banks. The Company is in the early stages of development and is continually improving its policies regarding monitoring its credit risk.

(expressed in Canadian dollars)

The Company is exposed to credit risk as an owner of real estate in that tenants may become unable to pay the contracted rents. The Company mitigates this risk by carrying out appropriate credit checks and related due diligence on the significant tenants. The Company's properties are diversified across residential and commercial classes.

Amounts due from policy holders are short-term in nature and are not subject to material credit risk.

Liquidity risk

Liquidity risk is the risk of having insufficient cash resources to meet financial obligations without raising funds at unfavourable rates or selling assets on a forced basis. Liquidity risk arises from the general business activities and in the course of managing the assets and liabilities. The purpose of liquidity management is to ensure that there is sufficient cash to meet all financial commitments and obligations as they fall due. The liquidity requirements of the Company's business are met primarily by funds generated from operations, liquid investments and income and other returns received on investments. Cash provided from these sources is used primarily for claims and claim adjustment expense payments and investment property operating expenses. The timing and amount of catastrophe claims are inherently unpredictable and may create increased liquidity requirements.

As at December 31, 2011, the Company does not believe the current maturity profile of the Company 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, 2011. The Company does not have material liabilities that can be called unexpectedly at the demand of a client.

The following table summarizes the undiscounted cash flows of financial assets and liabilities by contractual or expected maturity:

	December 31, 2011		
	One year or less $	**One to two years $**	**No maturity date $**
Financial Assets			
Cash and cash equivalents	20,078,948	-	-
Receivables	94,539	-	-
Reinsurance assets	7,760	-	-
Investments	2,569,778	1,446,983	-
	22,751,025	1,446,983	-
Financial Liabilities			
Trade payables and accrued liabilities	859,213	-	-
Insurance contract liabilities	361,820	-	-
	1,221,033	-	-

(expressed in Canadian dollars)

	December 31, 2010		
	One year or less $	One to two years $	No maturity date $
Financial Assets			
Cash and cash equivalents	138,201	-	-
Receivables	16,741	-	-
	154,942	-	-
Financial Liabilities			
Trade payables and accrued liabilities	9,677	-	-

Market risk

Market risk includes interest rate risk, currency risk and equity risk.

i) Interest rate risk

Interest rate risk is the potential for financial loss arising from changes in interest rates. Changes in interest rate levels generally impact the financial results to the extent that reinvestment yields are different than the original yields on fixed income securities. Changes in interest rates will affect the fair value of the fixed income securities. During periods of rising interest rates, the market value of the existing fixed income securities will generally decrease. During periods of declining interest rates the opposite is true. For investments classified as AFS, these increases and decreases in fixed income securities will result in corresponding increases and decreases in OCI until the securities are sold and any gain or loss is realized or the securities are written down to reflect an impairment loss. The primary technique for measuring interest rate risk related to fixed income securities is duration analysis.

The approximate impact of an increase of 100 basis points in interest rates would increase the net income of the Company by $40,167. The approximate impact of a decrease of 100 basis points in interest rates would decrease net income of the Company by $40,167.

Changes in interest rates also have an impact on the rate used to discount insurance contract liabilities. Consequently, changes in interest rates will affect the carrying value of the insurance contract liabilities. During periods of rising interest rates, the carrying value of insurance contract liabilities will generally decrease and profit will increase. During periods of declining interest rates the opposite is true. A change of 100 basis in interest rates points up or down would not have a material impact on the carrying value of insurance contract liabilities.

(expressed in Canadian dollars)

ii) Currency risk

Currency risk represents the risk that the Company incurs losses due to exposure to foreign currency fluctuations. The Company owns properties located in Mongolia and marketable securities in Mongolia and Barbados, and is therefore subject to foreign currency fluctuations that may impact its financial position and results. Changes in the Mongolian Tögrög and U.S. to Canadian dollar foreign currency exchange rate impact the fair value of securities denominated in Mongolian Tögrög and in U.S. dollars. The Mongolian operations hold their investments in Mongolian Tögrög denominated securities and the Canadian operations hold securities denominated in Canadian and U.S. dollars.

The approximate impact of an increase of 10% in the Mongolian Tögrög against the Canadian dollar would increase the OCI of the Company by $3,581,255. The approximate impact of a decrease of 10% in the Mongolian Tögrög against the Canadian dollar would decrease OCI of the Company by $3,581,255.

The approximate impact of an increase of 10% in the U.S. dollar against the Canadian dollar would increase net income of the Company by $367,962 (2010 - nil).

iii) Other price risk

Other price risk market fluctuation risk is where fluctuations in the value of equity securities affect the level and timing of recognition of gains and losses on securities held, and cause changes in realized and unrealized gains and losses. As the Company does not have any equity investments, it does not have any exposure to equity risk.

Economic risk

Mongolian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Company may be challenged by tax authorities.

Mongolian tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged by tax authorities. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Mongolian tax legislation does not provide definitive guidance in certain areas, specifically in areas such as Value added tax (VAT), corporate income tax, personal income tax and other areas. From time to time, the Company adopts interpretations of such uncertain areas that reduce the overall tax rate of the Company. As noted above, such tax positions may come under heightened scrutiny as a result of recent developments in administrative and court practices. The impact of any challenge by the tax authorities cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the entity.

(expressed in Canadian dollars)

The Company's management believes that its interpretation of the relevant legislation is appropriate and the Company's tax positions will be sustained. Management believes that tax risks are remote at present.

Management performs regular re-assessments of tax risk and its position may change in the future as a result of the change in conditions that cannot be anticipated with sufficient certainty at present.

18 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.

Summary of significant transactions with related parties for the year ended December 31, 2011 are presented below:

	Praetorian Capital Management LLC $	UMC Holding LLC $
Borrowing obtained from and paid back to related parties	137,330	-
Payment of rental expense	-	29,100

Praetorian Capital Management LLC ("Praetorian") is a company controlled by the Company's CEO.

Praetorian paid the initial start-up and formation expenses of MGG and its subsidiaries. These expenses were reimbursed to Praetorian without interest.

The Company has paid rental payments to UMC Holding LLC which is owned by a director of one of the Company's subsidiaries.

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

	Expense $
Salaries and other short-term employee benefits	44,015
Share-based payments	267,452
	311,467

(expressed in Canadian dollars)

19 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 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.

The Company is also subject to litigation arising in the normal course of conducting its insurance business. The Company is of the opinion that this litigation will not have a significant effect on the financial position, financial performance or cash flows of the Company.

The Company's Mongolian insurance operations, Mandal General Insurance LLC, is not in compliance with the solvency limit set by FRC Order No. 211.

The current deficit under this regulation for the solvency limit is approximately $483,000. As per Mongolian legislation, FRC has the right to take any corrective actions when an insurance company is not complying with the regulations including imposing a fine or even cancelling the insurance license. Management believes that Mandal is operating on a going concern basis and that no action will be taken by FRC that would materially impact the financial position of the Company or its ability to continue the operations. Management believes that cancelling the insurance licence due to the breach of this ratio is highly unlikely, as management informed the regulator about this issue and obtained verbal assurance that the Company would not be materially fined or that the insurance licence would be cancelled.

20 Supplementary cash flow information

	2011 $	2010 $
Changes in non-working capital arising from		
Other assets	(409,303)	(11,741)
Trade and other payables and accrued liabilities	849,536	(398)
Reinsurance assets	(7,760)	-
Deferred acquisition expense	(15,175)	-
Income tax payable	819,096	-
Insurance contract liabilities	361,820	-
Changes in non-cash working capital from operating activities	1,598,214	(12,139)

(expressed in Canadian dollars)

21 Segment information

The Company's operations are conducted in three reportable segments as Investment Property Operations, Insurance 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.

Insurance Operations includes general property and casualty insurance products in Mongolia. Insurance underwriting and claims handling functions are administered through Mandal General Insurance LLC.

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.

(expressed in Canadian dollars)

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

	2011			
	Investment Property $	Insurance $	Corporate $	Total $
Rental income	495,242	-	-	495,242
Property operating expenses	(637,507)	-	-	(637,507)
Unrealized gains on fair value adjustment on investment properties	5,740,919	-	-	5,740,919
Net premiums earned	-	77,786	-	77,786
Claims and insurance benefits incurred	-	(51,591)	-	(51,591)
Share based payment	(290,800)	(1,087,493)	(420,310)	(1,798,603)
Other expenses	(107,269)	(517,733)	(650,874)	(1,275,876)
Depreciation	(31,106)	(11,744)	(2,907)	(45,757)
Net investment income (loss)	32,796	247,470	(624,512)	(344,246)
Other revenue	16,823	-	-	16,283
Net income (loss) before income taxes	5,218,558	(1,343,305)	(1,698,603)	2,176,650

(expressed in Canadian dollars)

Given the corporate restructuring that occurred in fiscal 2011 and the fact that there were no active operating companies in fiscal 2010, no comparative information has been disclosed.

				2011
Balance as of December 31, 2011:	**Investment Property $**	**Insurance $**	**Corporate $**	**Consolidated $**
Total assets	32,726,312	4,852,712	17,757,865	55,336,889
Property and equipment	4,451,542	138,086	34,382	4,624,010
Investment properties	26,166,286	-	-	26,166,286
Expenditures				
Property and equipment	4,479,040	149,830	37,289	4,666,159
Investment properties	20,425,367	-	-	20,425,367

	Revenue		**Property and equipment**		**Investment property**	
	2011 $	**2010 $**	**2011 $**	**2010 $**	**2011 $**	**2010 $**
Barbados	-	-	-	-	-	-
Canada	-	-	-	-	-	-
Mongolia	589,311	-	-	-	26,166,286	-
	589,311	-	4,624,010	-	26,166,286	-

22 Other expenses

	2011 $	**2010 $**
Professional fees	492,953	216,598
Travel	106,341	-
Advertising	105,714	-
Net claims incurred	51,591	-
Other expenses	828,093	32,301
	1,584,692	248,899

(expressed in Canadian dollars)

23 Transition to IFRS

For all periods up to and including the year ended December 31, 2010, the Company prepared its financial statements in accordance with predecessor Canadian generally accepted accounting principles (Part V - Pre-changeover Accounting Standards of the Canadian Institute of Chartered Accountants Handbook (Canadian GAAP)). The Company's consolidated financial statements for the year ended December 31, 2011 are the first set of financial statements that comply with IFRS.

The consolidated financial statements have been prepared in accordance with the significant accounting policies described in note 3. The Company has applied IFRS 1, First-time Adoption of International Financial Reporting Standards in preparing these financial statements. An explanation of how the transition from Canadian GAAP to Canadian generally accepted accounting principles as set out in Part 1 of the Handbook of the Canadian Institute of Chartered Accountants has impacted the Company's financial position, financial performance and cash flows is set out in the following notes.

IFRS 1 Exemptions

IFRS has been applied retrospectively, except for certain optional exemptions and mandatory exceptions from full retrospective application, as provided for by IFRS 1, as detailed below. Other options available under IFRS 1, which are not presented, are not material to the Company's business.

In preparing the opening IFRS balance sheet, comparative information for the year ended December 31, 2010 and the financial statements for the year ended December 31, 2011, the Company has reviewed amounts reported previously in the consolidated financial statements prepared in accordance with CDN GAAP to ensure that they were consistent under IFRS. The Company did not identify any material errors in its application of pre-transition Canadian GAAP.

Specifically, there were no differences between the Company's equity as reported under pre-transition CDN GAAP and IFRS at January 1, 2010 and December 31, 2010. Furthermore, there were no differences between the Company's comprehensive income under pre-transition CDN GAAP and IFRS at December 31, 2010 and no changes to items presented in the statement of cash flows.

IFRS 1 Elections and Exemptions

The Company has elected under IFRS 1 not to adopt retroactive application of IFRS 2 - share based payments to options issued prior to the date of transition. Under IFRS 1, a first time adopter is not required to apply IFRS 2 to equity instruments that were granted after November 7, 2002 and that vested before the later of a) the date of transition to IFRS (January 1, 2010) and b) January 2005. As previously disclosed, the Company's initial stock option plan options were issued in October 2008 and vested immediately.

(expressed in Canadian dollars)

Reconciliations

IFRS 1 requires an entity to reconcile shareholders' equity, comprehensive income and cash flows to prior periods if adoption of IFRS has resulted in certain changes to the Company's reported financial position, results of operations and cash flows. As the transition to IFRS did not result in any change to the Company's reported financial position at January 1, 2010 or December 31, 2010, results of operations and cash flows for the year ended December 31, 2010, no reconciliation information has been presented.

APPENDIX "D"

MONGOLIA GROWTH GROUP LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2011

MONGOLIA GROWTH GROUP LTD.

Management Discussion & Analysis

December 31, 2011

MONGOLIA GROWTH GROUP LTD.

Management Discussion & Analysis December 31, 2011

The management of Mongolia Growth Group Ltd. ("MGG" or "the Company") presents the Company's management discussion and analysis for the year ended December 31, 2011 (the "MD&A"), compared with the year ended December 31, 2010. As of January 1st, 2011, the Company adopted International Financial Reporting Standards ("IFRS"). This MD&A provides an overall discussion, followed by analyses of the performance of the Company'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 30, 2012 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 Company for the year ended December 31, 2011 and December 31, 2010 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 earnings before interest, taxes, depreciation and amortization ("EBITDA") and book value per share. MGG uses EBITDA as a measure of the performance of its operating subsidiaries as it excludes depreciation and interest charges, which are a function of the company's specific capital structure, and also excludes entity specific tax expense. MGG uses book value per share as a measure of the performance of the Company as a whole. Book value per share is measured by dividing shareholders' equity at the date of the statement of financial position by the number of common shares of the Company ("Common Shares") outstanding at that date. MGG's method of determining these amounts may differ from other companies' methods and, accordingly, these amounts may not be comparable to measures used by other companies. 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 Company 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.

Forward Looking Statements

This MD&A includes statements that express the Company's opinions, expectations, beliefs, plans, objectives, assumptions or projections regarding future events or future results, and therefore are, or may be deemed to be, "forward-looking statements." These forward-looking statements can generally be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "expects", "seeks", "projects", "intends", "plans", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this MD&A and include statements regarding management's intentions, beliefs or current expectations concerning, among other things, the Company's results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which the Company operates. These statements reflect management's current beliefs with respect to future events and are based on information currently available to management. The forward looking information contained in this MD&A is based on certain assumptions and analysis by management of the Company in light of its experience, expertise and perception of historical trends, current conditions and expected future developments and other factors that it believes are appropriate. In particular, the forward looking statements include statements with respect to:

- the ability to make and finance attractive acquisitions
- growth in Mongolia and business confidence
- the rental rates and valuations in Mongolia
- the ability to expand the insurance and other business without expanding staff significantly
- the ability to continue operations in insurance despite being offside certain regulatory requirements
- the market potential and demand for various insurance segments

Forward-looking statements involve significant known and unknown risks, uncertainties and assumptions. Many factors could cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, without limitation, those listed in the "*Additional Risk Factors*" section of this MD&A. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results, performance or achievements could vary materially from those expressed or implied by the forward-looking statements contained in this MD&A. Such risks include, but are not limited to:

- Risks associated with doing business in Mongolia
    - government intervention
    - foreign investment risks
    - developing legal system
    - appropriation
    - repatriation of profit and currency conversion
    - taxation, sanctions as penalties

- Business risks
    - operating risks
    - title risk
    - permits and business licenses
    - asset impairment
    - dependence on the management team
    - dependence on key tenants, customers and suppliers
    - dependence on foreign markets, future financing requirements
    - financial reporting and internal control
    - litigation
    - exchange rate fluctuations
    - interest rate fluctuations
    - insurance and reinsurance risks
    - protection of property rights

- Investment risks
    - significant share ownership by management
    - lack of liquid market
    - risk of price volatilities beyond the Company's control
    - risk of further dilution

See the section in this MD&A on "*Additional Risk Factors*" for a list of risks relating to the Company. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Those factors should not be construed as exhaustive and should be read with the other cautionary statements in this MD&A and the annual financial statements.

These factors should be considered carefully and prospective investors should not place undue reliance on the forward-looking statements. Although the Company basis its forward-looking statements on assumptions that management believes were reasonable when made, which assumptions include, but are not limited to the Company's future growth potential, results of operations, future prospects and opportunities, execution of the Company's business strategy, a stable workforce, no material variations in the current tax and regulatory environments, future levels of indebtedness and the current economic conditions remaining unchanged, the Company cautions the reader that forward-looking statements are not guarantees of future performance and that the Company's actual results of operations, financial condition and liquidity, and the development of the industry in which it operates may differ materially from those made in or suggested by the forward-looking statements contained in this MD&A. In addition, even if our results of operations, financial condition and liquidity, and the development of the industry in which the Company operates are consistent with the forward-looking statements contained in this MD&A, those results or developments may not be indicative of results or developments in subsequent periods.

Any forward-looking statements which we make in this MD&A speak only as of the date of such statement, and we do not undertake, and specifically decline, except as required by applicable law, any obligation to update such statements or to publicly announce the results of any revisions to any such statements to reflect future events or developments. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless expressed as such, and should only be viewed as historical data. All of the forward-looking statements made in this MD&A are qualified by these cautionary statements.

Overall Performance

Mongolia Growth Group Ltd. is a Canadian holding company that invests in both the real estate and financial services industries. MGG is presently engaged in the business of: (i) the ownership of residential, retail and office investment properties; (ii) the management of investment properties; (iii) the repair, construction and development of investment properties; (iv) the underwriting of property and casualty insurance risks; and (v) the sales of property and casualty insurance.

Property

In all its investment property operations, MGG strives to provide the highest quality locations to tenants, which augments their accommodations, business sales, or office environment. MGG's strategy is to acquire the best located properties in Mongolia, to repair and redevelop as needed, then to lease the properties to the tenant which benefits most from their location and quality.

The Company's property portfolio has grown through acquisition. As acquisitions are integrated into the MGG model, the Company's ability to offer a unique product, multi-unit retail platforms, or large format office space has led to relationships with some of the largest and best run businesses operating in Mongolia. The Company believes doing so will add value to local firms that can benefit from such unique offerings, and will lead to excess profitability to the company, vis-a-vis above market rental yields.

As the Mongolian consumer has benefited from an increase in gross and disposable income, the tenancies of the Company's investment properties have been able to support increased rents. This market improvement in the rental business has supported company results as most re-let properties have seen double-digit increases in rents and a commensurate increase in property valuation due to a slow contraction in the market capitalization rate of investment properties in Mongolia. The general property market continues to be influenced by improvement in the overall Mongolian economy. Certain locations have seen a smaller increase in rental rates, generally at the mid-to-low end of the commercial property market or the high-end of the residential market, while higher end commercial properties and lower-end residential properties have seen more substantial increases in both rents and valuations.

The Company believes that increases in the nominal gross domestic product will lead to further increases in both the rental rates and valuations of properties in Mongolia. MGG's property division should benefit from such increases in the nominal gross domestic product due to the operational leverage inherent in a property business with relatively fixed operating costs. It is expected that the majority of the organic growth in the revenue of the property division going forward should accrue to the Company's bottom line due to such embedded operating leverage.

Insurance

The Company's insurance subsidiary (Mandal General Insurance or "Mandal") began underwriting in the fourth quarter of the year. The underwriting capacity and knowledge of the insurance subsidiary was acquired vis-à-vis the initial overfunding of the company in relation to its risks, and by the hiring of individuals that had previously obtained insurance experience in both Mongolia and abroad. The sales process for the insurance company is longer term in nature. Retail sales at the insurance company have substantially lagged commercial sales, which are much larger in nature and are infrequent in occurrence.

As the Mongolian consumer and business market becomes larger and more understanding of the inherent benefits of insurance, the market will grow substantially. According to the Financial Regulatory Commission ("FRC"), over the past five years, nationwide underwriting has grown at over 20% per annum. Due to the small nature of the insurance market, and the newness of our insurance subsidiary as an entrant in the market, the insurance subsidiary's primary focus has been on business systems development, product development, brand awareness, and marketing.

Similar to the foundation of the Company's property business, Mandal has hired staff and incurred expenses that lead to a high level of operational leverage. Many divisions of the insurance operation would not be required to expend further resources even given a substantial increase in premiums written. The largest expense within the insurance business in the future should be reserving, but at the present juncture, it happens to be the recognition of the cost of employee and consultant stock options. Employee stock option expense as a percentage of costs should decrease over time in the event that revenues increase.

Economic Outlook

As mentioned earlier, both markets that the Company operates in, the real estate and insurance industries, have benefited from the tremendous economic growth achieved in Mongolia over the last few years. The majority of this recent growth is attributable to the mining and construction boom 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. The positive impact of improving consumer and business confidence has further led to a substantive increase in the gross production of the local economy. Given the current lack of sufficient real estate space for domestic and international tenants, and the insurance underwriting capacity within the insurance industry in Mongolia, there is room for much further expansion in the amount of business to be done in both industries, and likely increases in the profitability of these industries.

Risks and Uncertainties

The Company, as part of its operations, carries financial instruments consisting of cash and cash equivalents, investments and marketable securities, accounts receivable, and trade and accrued payables. It is Management's opinion that the Company 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.

The Company's insurance subsidiary, Mandal General Insurance, is in breach of an FRC solvency limit requirement that stipulates that underwriters must maintain short-term investments equal to or greater than share capital (FRC Order No. 211). For an insurance company with normalized reserves, the invested capital in reserves would usually prove sufficient to satisfy this ratio. Since Mandal General Insurance was recently established, and due to losses in its first year of operation, the firm is in breach of this covenant. However, Mandal's ratios for other covenants are far in excess of minimum requirements due to the firm's substantial equity in relation to its reserves and underwriting premiums. The Company has been proactively working with FRC to comply with this regulation. Given the significant level of initial capital contributed to this company and based on discussions with the FRC management does not believe that there will be sanctions related to this breach. Mandal has also requested that FRC adopt more internationally accepted regulations, like underwriting limits and capital limits in relation to reserving.

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.

Selected Annual Financial Information

	Year ended December 31 2011		Year ended December 31 2010		Year ended December 31, 2009

	Year ended December 31 2011		Year ended December 31 2010		Year ended December 31, 2009
Revenue and other income	589,311		1,385		2,533
Income					
Income (loss) from continuing operations attributable to equity holders of the Company *	1,349,153	-	247,846	-	49,445
Net Income (loss) attributable to equity holders of the Company	1,349,153	-	247,846	-	49,445
Comprehensive income (loss) attributable to equity holders of the Company	107,715	-	247,846	-	49,445
Basic earnings per share ("EPS") 8in dollars)					
Earnings (loss) from continuing operations	0.06	-	0.10	-	0.01
Net income (loss)	0.06	-	0.10	-	0.01
Diluted EPS (in dollars)					
Earnings (loss) from continuing operations	0.05	-	0.10	-	0.01
Net income (loss)	0.05	-	0.10	-	0.01
Balance Sheet					
Total Assets	55,336,889		156,847		405,091
Financial Liabilities	2,040,129		9,677		10,075
Total Equity	53,296,760		147,170		395,016
Shares Outstanding at year end	34,143,352		2,964,300		3,514,300
Book Value per Share`	1.56		0.05		0.13

Results of Operations

As of December 31, 2011, MGG's operations continued to focus on the rapid growth of the Mongolian economy. As part of its corporate strategy of aggressive growth, the Company has continued to purchase rentable property, obtained an insurance license and participated in activities consistent with raising capital.

Revenues

MGG's consolidated revenues for the year ended December 31, 2011 increased to $589,311, from immaterial revenues during the year ended December 31, 2010. The majority of the increase in revenue is attributable to investments made during fiscal 2011, using funds raised in financings throughout the year.

The Company's investment property business contributed the majority of the revenue for 2011, $495,242. This division was founded in 2011, and as such, no comparable figures are available for 2010.

The Company's insurance business contributed $77,786 of net earned revenue in 2011. This division was founded in 2011, and as such, no comparable figures are available for 2010.

Expenses

Total expenses for 2011 increased to $3,809,334, from $248,999 in 2010. The largest increase in expenses is attributed to share based compensation which relates to options issued to employees and consultants during the year. Secondarily, operating expenses increased to $1,584,692 due to increases in operations and general expenses. As the company had no business operations in 2010, increases in expenses were a result of the implementation of the businesses of the Company.

Operating Profit (Loss)

The property business of MGG incurred an Operating or EBITDA loss before fair value adjustment of $571,440 in 2011. The majority of this loss is attributed to an increase in expenses associated with building a property management team, along with the fact that investment properties were purchased throughout the course of the year and did not earn income for the entire year. The EBITDA including the fair value adjustment is income of $5,169,479. This business line did not exist in 2010, and as such, comparable figures are not available.

MGG's insurance business incurred an Operating or EBITDA loss of $1,579,031 in 2011. The majority of this loss is due to the IFRS treatment of stock option expenses of $1,087,493 at the operating business level. This business line did not exist in 2010, and as such, comparable figures are not available.

The Company's corporate overhead contributed to an Operating or EBITDA loss of $1,698,605 during 2011. The majority of this loss was incurred in legal expenses and other corporate expenses associated with the general corporate activity of the Company, as well as its portion of the share based payments. During 2010, the Company only had a corporate operation. This operation incurred a loss of $247,846 during 2010.

Fair Value Changes in Investment Property and Financial Assets

As the Company incurred no impairments to its December 31st, 2011 investment and marketable securities portfolio fair value changes were only recognized with respect to MGG's investment property portfolio. The Company had the majority of its investment property portfolio valuated by an external independent valuation professional who is deemed to be a qualified appraiser holding a recognized, relevant, professional qualification and who has recent experience in the locations and categories of the investment properties valued.

The majority of the Company's investment and marketable securities portfolio is held in non-market quoted assets which are held in callable short-term and mid-term paper of investment grade financial institutions in Mongolia. These investments are held within the Company's insurance subsidiary and are held due to the statutory requirements of the subsidiary's primary regulator, FRC.

Net Income

For the year ended December 31, 2011, the Company earned net income of $1,349,153, compared to a net loss of $247,846 for the year ended December 31, 2010. This year's favourable result is a product of the previously discussed unrealized gain on fair value of investment properties of $5,740,919 offset by operating losses within the property and insurance businesses and losses in corporate.

Management cautions investors that this property portfolio gain is a non-cash accounting entry caused by an increase in the fair value of our rentable real estate portfolio. This gain is not indicative of an increase in liquid assets on the statement of financial position.

In the first quarter of 2012, MGG's property division has produced positive operating cash flow; however this is insufficient to cover corporate expenses, and insurance expenses. Management anticipates that this cash flow will increase substantially in future quarters as vacant properties become occupied, rents are renewed at higher rates, and expenses remain fairly constant.

Management cautions investors that the Company is primarily focused on increasing shareholder value on a per share basis. This means that operationally management is more concerned with asset appreciation at the expense of short-term cash flow. Management expects this to be the case for the foreseeable future.

Summary of Quarterly Results

The following table provides selected financial information for the eight most recently completed quarters.

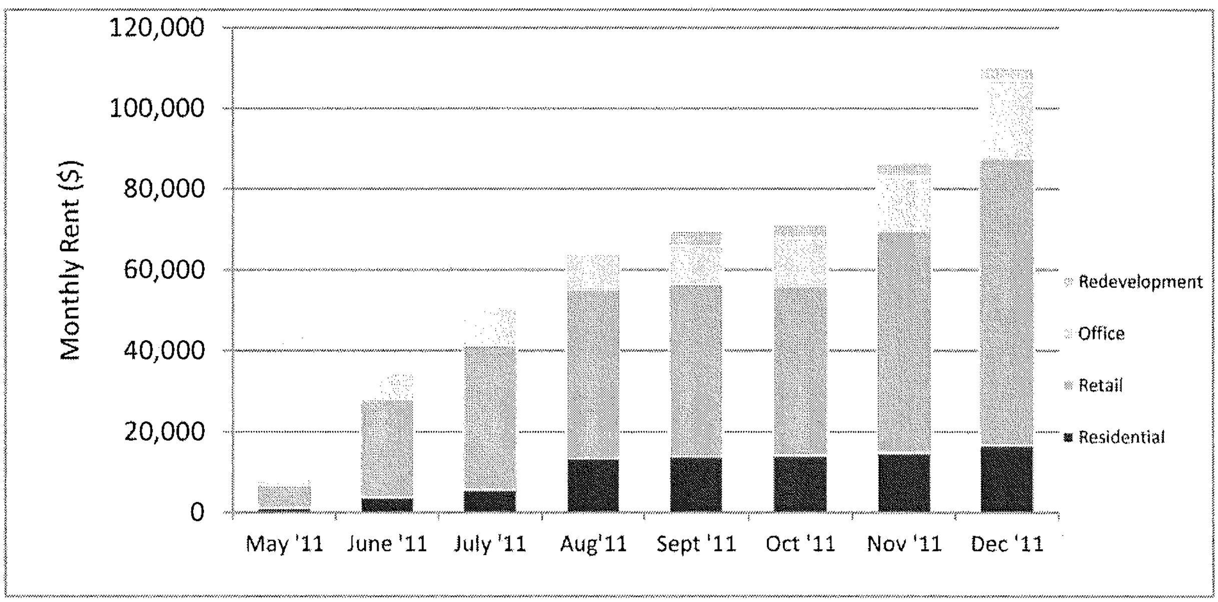
Quarterly Consolidated Financial Information

	Q4 2011		Q3 2011		Q2 2011		Q1 2011	Q4 2010		Q3 2010		Q2 2010		Q1 2010
Revenue	360,914		186,134		42,263		-	456		439		262		228
Net income (loss)	. 2,794,533	-	830,149	-	485,585	-	139,646	28,881	-	259,734	-	10,731	-	6,192
Income (loss) per common share	0.11	-	0.03	-	0.02		-	-	-	0.07		-		-
Total Assets	55,336,889		36,439,544		36,250,423		10,353,848	156,847		303,628		403,956		404,764
Weighted Average Shares	23,902,851		21,814,422		16,617,951		10,184,185	3,239,300		3,514,300		3,514,300		3,514,300
Ending Shares	34,143,352		30,297,168		30,297,198		14,167,571	2,964.300		3,514,300		3,514,300		3,514,300

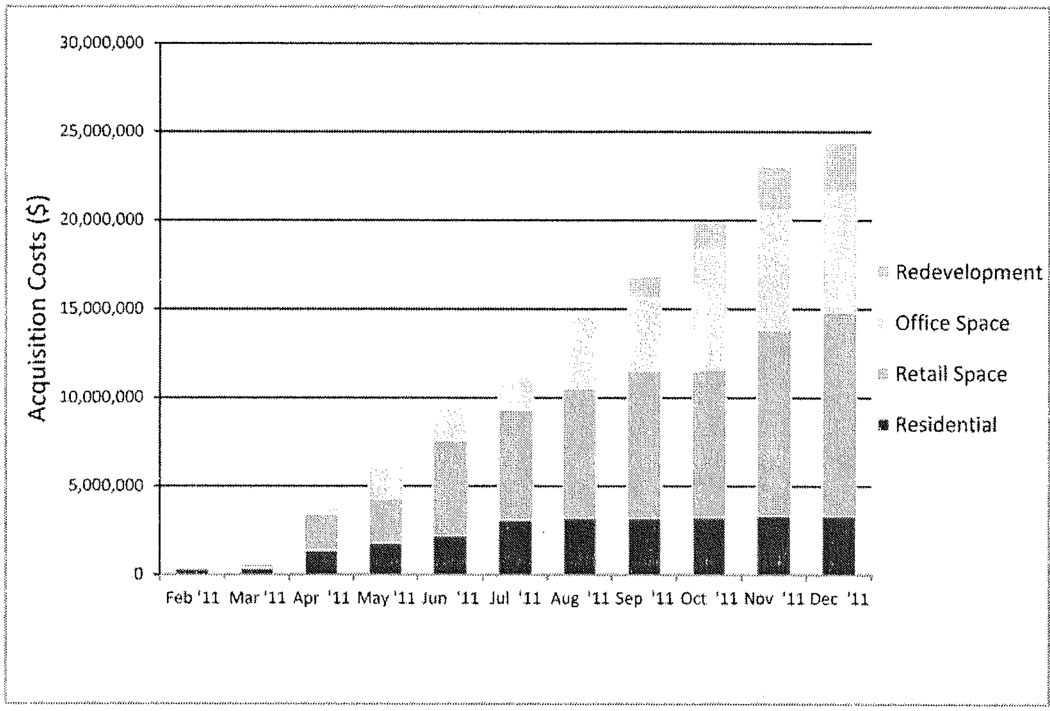
The Company grew during 2011 due to increases in equity capital, which funded the founding of both MGG's property and insurance businesses.

MGG's revenue grew phenomenally during 2011, with Q4 consolidated revenue increasing to $360,914, compared to Q3 consolidated revenue of $186,134, an increase of 93%. The change is mainly due an increase in rental income generated by the properties purchased in the quarter as well as a full quarter's worth of insurance sales as no sales were made in earlier quarters.

The following chart describes the Company's monthly revenue in its property portfolio operations throughout 2011:



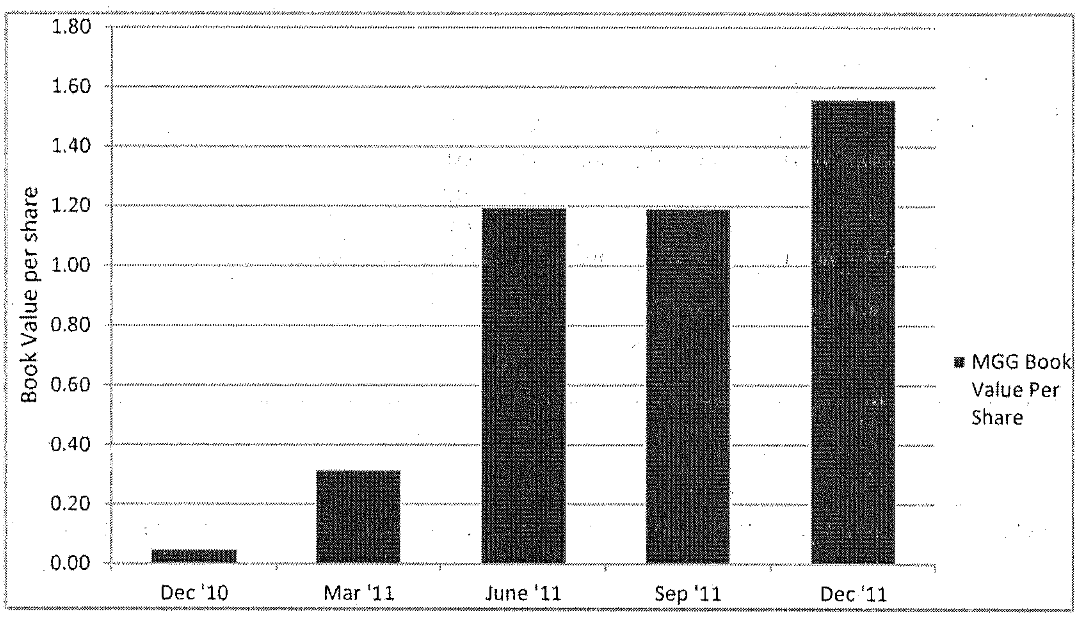
The following chart describes the Company's month end property portfolio value, by property type, at cost, throughout 2011. Note that this chart includes both properties classified as investment properties as well as those classified under property and equipment:



Acquisition Costs were translated from Mongolian Tögrög into Canadian dollars at the December 31, 2011 rate of 1347.63

MGG's book value grew substantially during the fourth quarter, due to the Company's $ 15,000,000 December financing and the unrealized gain on fair value on investment properties. Over the course of the past year, the majority of the increase in book value is a result of the Company raising equity capital at a premium to book value.

The following chart demonstrates book value per share at the end of each quarter of 2011:



Corporate expenses have continued to increase as well, due to the substantial operating expenses involved in running a public company as well as the expenses related to operating a rapidly growing business. Year end expenses related to Corporate operations totaled $1,698,603, of which $420,310 were related to share based payments. Management believes that cash corporate expenses have come close to normalizing at current levels.

Property

Quarterly property revenue increased by $266,845 or 17%, over Q3/2011. This increase was caused by an approximate $4,885,000 or 25% increase in portfolio assets. In addition, vacancies decreased substantially. This was due to the integration of newly acquired properties into the property rental pool, and more aggressive marketing of the portfolio.

The property division's overhead expenses have increased rapidly over the past quarters. This is due to the rapid growth of the management team and infrastructure. We expect the property overhead expenses to normalize at current levels.

At the individual property level, Management has initiated a program to examine spending and evaluate ways to reduce costs. However, spending in aggregate is expected to continue to increase as the investment property portfolio grows.

MGG's property portfolio has increased to cost base of $20,425,367 at year end taking into consideration the foreign currency translation. This is a $4,885,000 increase or 25% increase over Q3/2011. In addition, at year end, investment properties were valued by an external independent valuation professional which resulted in an unrealized fair value adjustment of $5,740,919 to a year-end valuation of $26,166,286. The Company anticipates that the investment portfolio will continue to increase in value in the future.

Insurance

Q4/2011 represents the Company's first complete quarter of operations since policies were approved by FRC. During the 4th quarter, MGG's insurance subsidiary wrote $391,702 in gross premiums and paid $10,683 in reinsurance premiums, for net written premiums of $381,019. After the deduction of unearned premiums, Mandal earned net premium of $77,786 during the quarter. This subsidiary has also earned net investment income of $247,470 on its investment portfolio. Since this subsidiary incurred no revenue prior to the 4th quarter, there are no previous quarter comparables.

The insurance subsidiary has spent aggressively to develop the Mandal brand name through advertising. The Company expects this marketing spending to increase substantially in the future—especially as the Company begins to sell government mandated auto liability products. The management team at Mandal continues to explore ways to leverage marketing spend through creative partnerships.

Reorganization Transaction

On December 1st 2010, Mongolia Growth Group Ltd. announced the signing of an agreement that Harris Kupperman and Jordan Calonego planned to purchase 320,500 common shares of the Corporation on a post-consolidated basis from the founding board members. The transaction was completed on February 2, 2011. The Corporation also completed the following transactions on February 2, 2011, which were approved by the shareholders at the annual and special meeting of shareholders on January 17, 2011:

(a) A private placement of the Corporation which raised gross proceeds of $4,611,253 from the sale of 12,685,452 common shares on a post-consolidated basis;

(b) The filing of articles of amendment renaming the Corporation "Mongolia Growth Group Ltd." and consolidating the common shares of the Corporation at a ratio of 1:2;

(c) The filing of an application for the de-listing of the common shares from the NEX board of the TSXV and an application for the listing of the common shares on the CNSX; and

(d) The appointment of Paulo Bilezikjian, Jordan Calonego, Bill Fleckenstein, Harris Kupperman and Paul Sweeney as the new directors of the Corporation.

Liquidity

As at December 31, 2011, MGG had working capital of $21,059,481 comprised of cash and cash equivalents, investments and marketable securities, other assets, reinsurance assets, deferred acquisition expenses, net of trade and accrued liabilities, income taxes payable and insurance contract liabilities. Management considers the funds on hand to be sufficient to meet its ongoing obligations.

Related Party Transactions

Related party transactions for fiscal 2011 were as follows:

- Borrowing obtained and paid back to related parties ($137,330). This transaction was between MGG and Praetorian Capital Management LLC, a company controlled by MGG's CEO. Praetorian paid the initial start-up and formation expenses of MGG and its subsidiaries. These expenses were reimbursed to Praetorian without interest; and

- Payment of rental expense ($29,100). This transaction was between Mandal and UMC Holding LLC, a company which is owned by a director of Mandal. The Company paid rent earlier in the year to UMC Holding LLC.

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 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 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 Company. An external appraiser estimates the fair value 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 and industry conditions, has an increased inherent risk given the lack of reliable and comparable market information. At December 31, 2011, the unrealized fair value adjustment was $5,740,919.

- **Valuation of insurance contract liabilities** - The estimate of the ultimate liability arising from claims made under insurance contracts is another critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. The ultimate cost of claims liabilities is estimated by using a range of standard actuarial claims projection techniques in accordance with Canadian accepted actuarial practice. At December 31, 2011, the insurance contract liabilities totaled $361,820.

- **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. For the year ending December 31, 2011 the cost of the share based payments totaled $1,798,603.

- **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.

Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, investments and marketable securities, accounts receivable and trade and accrued payables. The Company is subject to interest risk as it earns interest income from its cash deposits. It is management's opinion that the Company 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 the majority of the Financial Instruments of the Company as they are held in Mongolian Tögrög. For further discussion of financial instrument risks, see the Insurance and Financial Risk Management note.

Changes in Accounting Policies

The consolidated financial statements of the Company were prepared in accordance with IFRS, as issued by the International Accounting Standards Board (IASB). For all periods up to and including the period ended December 31, 2010, the Company prepared its financial statements in accordance with Part V Pre-Changeover Accounting Standards, of the Canadian Institute of Chartered Accountants Handbook, Canadian generally accepted accounting principles (Canadian GAAP). Explanations of the impact of the transition to IFRS as of December 31, 2010 and January 1, 2010 on the financial position, financial performance and cash flows can be found in note 23 of the financial statements.

The Company in 2010 was a Company in Canada with no operations. With the simplistic nature of the Company in the previous year, IFRS did not result in any change to the Company's reported financial position at January 1, 2010 or December 31, 2010, results of operations and cash flows for the year ended December 31, 2010, thus no reconciliation information was presented.

Capital Risk Management

The Company's objective when managing capital is to ensure the Company is capitalized in a manner which provides a strong financial position for its shareholders.

The Company's capital structure includes equity and working capital. In managing its capital structure, the Company considers future investment and acquisition opportunities, potential credit available and potential issuances of new equity. The Company's objective is to maintain a flexible capital structure that will allow it to execute its stated business. Upon acquiring investment properties and operating businesses, the Company will strive to balance its proportion of debt and equity within its capital structure in accordance with the needs of the continuing business. The Company may, from time to time, issue shares and adjust its spending to manage current and projected proportions as deemed appropriate.

The method used by the Company to monitor its capital is based on an assessment of the Company's working capital position relative to its projected obligations. At December 31, 2011, the Company's working capital was $21,059,481 (2010 - $147,170) and the Company had no debt.

Off-Balance Sheet Items

As at December 31, 2011, the Company has no off-balance sheet items.

Financial Risk Management

Credit risk

The Company'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 Company's investments consisted of institutional deposits. The majority of the funds invested are held in reputable Barbadian, Canadian or Mongolian banks. The Company is in the early stages of development and is continually improving its policies regarding monitoring its credit risk.

The Company is exposed to credit risk as an owner of real estate in that tenants may become unable to pay the contracted rents. The Company mitigates this risk by carrying out appropriate credit checks and related due diligence on the significant tenants. The Company's properties are diversified across residential and commercial classes.

Amounts due from policy holders are short-term in nature and are not subject to material credit risk.

Liquidity risk

As at December 31, 2011, the Company does not believe the current maturity profile of the Company 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, 2011. The Company does not have material liabilities that can be called unexpectedly at the demand of a client.

Currency risk

The Company owns properties located in Mongolia and marketable securities in Mongolia and Barbados, and is therefore subject to foreign currency fluctuations that may impact its financial position and results. Changes in the Mongolian Tögrög and U.S. to Canadian dollar foreign currency exchange rate impact the fair value of securities denominated in Mongolian Tögrög and in U.S. dollars. The Mongolian operations hold their investments in Mongolian Tögrög denominated securities and the Canadian operations hold securities denominated in Canadian and U.S. dollars.

The approximate impact of an increase of 10% in the Mongolian Tögrög against the Canadian dollar would increase the Other Comprehensive Income ("OCI")of the Company by $3,581,255. The approximate impact of a decrease of 10% in the Mongolian Tögrög against the Canadian dollar would decrease OCI of the Company by $3,581,255.

The approximate impact of an increase of 10% in the U.S. dollar against the Canadian dollar would increase net income of the Company by $367,962.

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 International Financial Reporting Standards.

Instead, an optional form of certification has been made available to junior reporting issuers and has been used by the Company's certifying officers for the December 31, 2011 annual filings. The new certification reflects what the Company considers to be a more appropriate level of CEO and CFO certification given the size and nature of the Company's operations. This certification requires the certifying officers to state that:

(i) they have reviewed the annual MD&A and consolidated financial statements;

(ii) 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 annual MD&A and consolidated financial statements; and

(iii) based on their knowledge, the annual filings, together with the other financial information included in the annual filings, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of the date and for the periods presented in the filings.

Strategy

MGG separates its operations into three reporting segments for ease of management oversight.

These segments are property, insurance, and corporate.

MGG's business has dramatically changed over the course of 2011. Therefore, at all three reporting segments, the Company's focus has been on hiring key employees, implementing reporting systems, and setting the Company up for continued growth in the future. The most difficult challenge that the Company has encountered is finding skilled employees, given the growth experienced during 2011. The growth in employees has moderated now that the majority of key positions are filled. The Company plans to spend more time and energy on training employees, rather than hiring many new employees, as the Company grows in the near future.

At corporate, Management has been somewhat surprised by the substantial costs involved in being a public company—especially as senior corporate employees receive either no salary, or substantially below market salaries. To offset this, Management is exploring ways to increase the interest earned on cash balances through more active management. From a cost perspective, the Company has made progress in building up the needed infrastructure and will likely not be required to increase expense levels much beyond current levels for the next stage of the Company's growth.

Property

MGG's property division continues to exhibit rapid growth in assets. Management and employees have worked hard to aggressively build up the infrastructure needed to manage this division. For most of the year, staffing has lagged behind the needs of this division. The property business is now adequately staffed for a substantially larger portfolio and there is no anticipation that management expenses will increase materially on a nominal level, more so they are likely to decline as a percentage of revenues.

Due to the rapid growth of the Mongolian economy and a shortage of high quality rental locations, property rents are increasing rapidly, particularly in office and prime retail location. When leases have been reviewed, many of them are at rates that are substantially below market rents. These leases should reset over the short-term and should substantially increase revenues if rental rates stay current.

MGG's property investment subsidiary plans on further expanding via the investment of additional capital into income producing and redevelopment properties in Ulaanbaatar. The Company's plan is contingent on procuring further funds for investment and on finding suitable investment targets which reach MGG's stringent investment criteria.

Insurance

The Company's insurance subsidiary, Mandal Daatgal ("Mandal"), received its insurance license on June 2, 2011 and began to aggressively target customers in October 2011. To date, it has focused its operations on both the retail and corporate market. The focus with Mandal is to underwrite conservatively so that all policy holders are confident that insureds will be paid on all legitimate claims. More importantly, through the use of reinsurance, Mandal attempts to ensure that it can cover losses due to rare catastrophic events.

The Company's expectation is that the insurance company will incur operating losses for at least the next year. Anticipated losses will likely be caused by the sizable costs of marketing and growing the business, against insufficient earned premium revenue. Some of these losses will be offset by the insurance company's investment portfolio. It is expected that the investment portfolio will grow as the company increases sales and the associated reserves.

On September 15, 2011 Mandal partnered with Mongol Post, the postal service of Mongolia, to distribute insurance products within Ulaanbaatar. Mandal has begun training and licensing postal representatives with the intention to roll out insurance sales through this channel during 2012. Mandal hopes to use this relationship to eventually sell insurance products across all of Mongolia.

On November 6, 2011 the government of Mongolia passed a law making auto liability insurance mandatory. This law came into effect on January 1, 2012. Management sees this as a sizable new market to address and are looking forward to pursuing these new customers.

Outlook

The Mongolian economy continues to be one of the best performing economies globally based on data from The National Statistics Office of Mongolia ("NSO") - December 2011 edition, with preliminary estimates of annualized nominal Q4 GDP growth of 27.8%. The Mongolian Consumer Price Index increased 2% during the month of December 2011, and 10.2% between December 2010 and December 2011, based on data from the NSO. This growth is being funded by Foreign Direct Investment inflows to a number of sizable mining projects along with re-investment of earnings from existing projects. Outside of the mining sector, the consumer economy is growing at a phenomenal rate, demonstrated by a more than doubling of the import of automobiles into Mongolia, in 2011 from 2010. There are also substantial increases in investment demand for infrastructure including real estate.

MGG has been a beneficiary of these trends in both its property and insurance operations. In its property operation, the property portfolio has increased substantially in value. This increase in market value is caused by higher market rents and increased availability of credit which is allowing some investors to borrow money through mortgages.

As Mongolians see a higher standard of living, they will want to protect their valuables. Additionally, corporations are beginning to understand the necessity of using insurance to avoid business volatility. These two trends have been important in seeing the Company's insurance subsidiary, Mandal Daatgal, grow since inception in June of 2011.

It is widely anticipated that 2012 will be another year of strong GDP growth for Mongolia which should bode well for the Company.

Economic Volatility and Uncertainty

The past economic volatility and uncertainty in Canada and around the world has contributed to dramatically restricted access to capital and reduced capital markets activity. The Company's management believes that the Company 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, strife, political extremism, and other similarly detrimental scenarios which would materially harm the Company.

Substantial risk and uncertainty exists due to the level of economic growth in Mongolia. According to the Bank of Mongolia, money supply (M2) increased 37.3% during 2011. Loans outstanding in the banking industry also increased substantially during 2011, rising 72.8%. Such changes in money supply and lending may be warranted due to the growth of the local economy. However, historical economic disequilibrium of such magnitude in other nations has frequently led to hyperinflation, unstable economic conditions, hardship and strife.

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 Company's operations.

Events Subsequent to Year End

Subsequent to year end, MGG purchased $4,900,000 worth of properties.

190,000 5-year Options were issued to MGG's employees in the property business on March 23 2012 at a price of $4.00 per share.

Mandal has sold a sizable bankers blanket bond with Khan Bank, the largest bank in Mongolia based on branch count. This transaction was 100% reinsured by syndicates of the Society of Lloyd's. Mandal also received a special permit to write auto liability coverages on April 18, 2012.

Finally, MGG announced that for the month of March, it was cash flow positive and, excluding one-time events, expects to be cash flow positive going forward.

Outstanding Share Data

As at December 31, 2011, the Company had 34,143,352 common shares issued and outstanding. As at December 31, 2011, 11,420,000 of the Company's common shares, or approximately 33.5% of the issued and outstanding shares, were directly or indirectly controlled by the Company's directors and officers. As of December 31, 2011, the Company had 600,000 stock options outstanding with an exercise price of $1.64 per share (500,000 have an expiry date of March 9, 2021 and 100,000 have an expiry date of March 9, 2014). The Company also had 772,000 stock options outstanding with an exercise price of $4.20 per share, (at issuance, 825,000 had an expiry date of April 25th 2016 and 75,000 had an expiration date of April 25th 2014, of theses a total of 128,000 were forfeited during the year). In addition, the Company had 175,000 options with an expiry date of September 7, 2016 and an exercise price of $4.77. Furthermore, the Company had 150,000 options with an expiry date of December 2, 2016 and an exercise price of $4.25.

At period-end, the Company had nil options that were exercisable (2010-296,430)

Outstanding	**as at December 31, 2011**
Common shares	34,143,352
Options to buy common shares	1,697,000

Additional Risk Factors

Country Risks

The Company may not be able to operate in Mongolia.

The Company may face economic barriers that effectively prohibit it from continuing effective operations in Mongolia. These barriers may include, among other things, exorbitant business, license and operating fees relating to the operation of the Company's business interests. The Company cannot guarantee that the Mongolian government will not implement laws, including tax laws, or policies specific to the Company, or specific to the industries that the Company operates in or is dependent upon, that may limit the Company's ability to operate effectively, if at all, and to remove any of the profits raised, if any, from Mongolia. Any changes in regulations or shifts in political and social attitudes and conditions are beyond the control of the Company and may negatively affect its business interests. The Company is offside certain regulatory requirements in the insurance industry that could prevent it from carrying on its business as currently conducted or result in sanctions and penalties.

The Company is subject to title and legal risk.

There are ambiguities, inconsistencies and anomalies in the agreements, licenses and title documents through which the Company holds its interests in Mongolia and the underlying legislation and legal framework upon which those interests are based. Mongolia transitioned from state socialism and a planned economy to parliamentary democracy and a free market economy. Much progress has been made in this transition, but much remains to be done, particularly with respect to the rule of law and the integrity of the real estate title regime, process, and, ultimately, ownership of the Company's properties. The legal framework in Mongolia is, in many instances, based on recent political reforms or newly enacted legislation, which may not be consistent with long-standing local conventions and customs. Many laws have been enacted, but in many instances, they are neither understood nor enforced and may be applied in an inconsistent, arbitrary or unfair manner. Legal remedies may be uncertain, delayed or unavailable. For decades Mongolians have looked to politicians and bureaucrats as the sources of the "law". This has changed in theory, but often not in practice. With respect to most day-to-day activities in Mongolia, government civil servants interpret, and often effectively make, the law. This situation is gradually changing but at a relatively slow pace. While the Company believes that it has taken the legal steps necessary to obtain and hold its property and other interests in Mongolia, there can be no guarantee that such steps will be sufficient to establish or preserve those interests.

The Company will suffer if there is a defect in the chain of title of its properties or if it cannot obtain or maintain necessary licenses.

Although the Company attempts to verify the title of its properties, title review in Mongolia is complex. There is no guarantee that the Company has title to its properties and no certainty that there will not be unforeseen defects in the chain of title to the properties that the Company believes that it owns, which could result in loss of title to such properties and a reduction of the revenue received from such prosperities, if any. The Company's operations require that it obtain and maintain licenses and permits from various governmental authorities. Its ability to obtain, maintain or renew such licenses and permits on acceptable terms is subject to regulation and to changes, from time-to-time, in those regulations. The decision to grant or renew a license or permit is frequently subject to the discretion of the applicable government. If it cannot obtain, maintain, extend or renew these licenses or permits the Company's business could be harmed.

The Company is subject to the changes in foreign economic, political, and social conditions.

The Company's interests in Mongolia are always at risk to changes in government policies that may be aimed at discouraging foreign investment or to nationalize companies or industries. Governments may implement business and development restrictions or requirements not currently foreseen. There is no assurance that provisions under Mongolian law for compensation and reimbursement of losses to investors under such circumstance would be effective to restore the full value of the Company's original investment or to compensate for the loss of the future value of Mongolian projects. The Company's future interests in Mongolia may be affected in varying degrees by, among other things, price controls, income taxes and environmental legislation. There can be no assurance that Mongolian laws protecting foreign investments will not be amended or abolished or that existing laws will be enforced or interpreted to provide adequate protection against any or all of the risks described above.

The Company's operations may also be affected in varying degrees by, among other things, political, economic and social instability, economic or other sanctions imposed by other nations, terrorism, military repression, extreme fluctuations in currency exchange rates and high inflation. The Company may also be negatively affected by criminal activities including but not limited to corruption by government and non-government persons and groups of persons including, but not limited to, unofficial political organizations such as local gangs or other bodies.

Foreign subsidiaries and repatriation of earnings.

The Company operates through Mongolian and foreign subsidiaries. Accordingly, any limitation on the transfer of cash or other assets between the parent corporation and such entities, or among such entities, could restrict the Company's ability to fund its operations efficiently. Any such limitations, or the perception that such limitations may exist now or in the future, could have an adverse impact on the Company's valuation and stock price. There is no assurance that Mongolia, or any other foreign country in which the Company may operate in the future will not impose restrictions on the repatriation of earnings to foreign entities or additional taxes.

Mongolian regulations require the State Administration of Exchange Control to approve the remittance of certain types of income out of Mongolia. The Company, therefore, may be unable to repatriate its earnings. If the Company is unable to repatriate its earnings from Mongolia, it may lose its investment.

Mongolian regulations provide that, subject to payment of applicable taxes, foreign investors may remit out of Mongolia, in foreign exchange, profits or dividends derived from a source within Mongolia. Remittance by foreign investors of any other amounts (including, for instance, proceeds of sale arising from a disposal by a foreign investor of any of its investment in Mongolia) out of Mongolia is subject to the approval of the State Administration of Exchange Control or its local branch office. No assurance can be given that such approval would be granted if the Company disposes of all or part of its interest in its Mongolia projects. Further, there can be no assurance that additional restrictions on the repatriation of earnings in Mongolia will not be imposed in the future.

The Company could face foreign exchange, interest rate and inflation risks.

The Company's revenues may be paid in various international currencies. The Company may convert funds to foreign currencies as its payment obligations become due. The Company's costs are incurred in the currency of Mongolia. Certain of the Company's accounts are prepared in Canadian dollars and dividends, if paid, will be paid in Canadian dollars. Accordingly, the Company is subject to inflation in the countries in which it operates and fluctuations in the rates of currency exchange between the Canadian dollar and these currencies, and such fluctuations may materially affect the Company's business, results of operations and financial condition.

Consequently, costs related to the development, implementation and operation of the Company's business plans may be higher than it anticipates. Any increase in relevant interest rates will increase the amount the Company pays to service any debts which may be incurred, now or in the future.

Penalties we may incur could impair our business.

Failure to comply with government regulations, including coverage ratios in the insurance business, could subject the Company to civil and criminal penalties, could require it to forfeit property rights or licenses, and may affect the value of its assets. The Company may also be required to take corrective actions, such as installing additional equipment, which could require substantial capital expenditures. The Company could be required to indemnify its employees in connection with any expenses or liabilities that they may incur individually in connection with regulatory action against them. As a result, the business prospects of the Company could deteriorate due to regulatory constraints, and its profitability could be impaired by its obligation to provide such indemnification to employees.

Interpretation and application of the laws and regulations of the countries in which the Company operates can be uncertain and could adversely affect the Company.

Mongolia has a less developed legal systems than more established economies which may result in risks such as:

(i) effective legal redress in the courts of such jurisdictions, whether in respect of a breach of law or regulation, or, in an ownership dispute, being more difficult to obtain;

(ii) a higher degree of discretion on the part of governmental authorities;

(iii) the lack of judicial or administrative guidance in interpreting applicable rules and regulations;

(iv) inconsistencies or conflicts between and within various laws (including tax laws), regulations, decrees, orders and resolutions; and/or

(v) relative inexperience of the judiciary and courts in such matters.

Enforcement of laws in Mongolia could depend on and be subject to the interpretation placed upon such laws by the relevant local authority, and such authority may adopt an interpretation of an aspect of local law which differs from the advice that has been given to the Company. There can be no assurance that contracts, joint ventures, title, licences, licence applications or other legal arrangements will not be adversely affected by the actions of government authorities and the effectiveness of and enforcement of such arrangements in these jurisdictions.

In certain jurisdictions, the commitment of local businesses, government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be more uncertain and may be susceptible to revision or cancellation, and legal redress may be uncertain or delayed.

The Company must comply with the regulatory regimes of the countries in which it operates, and such compliance may result in increased expenditure or decreased revenues.

The Company may be subject to various government laws and regulations. There can be no assurance that the actions of present or future governments in Canada and Mongolia, or of governments of other countries in which the Company may operate in the future, will not materially adversely affect the business and financial condition of the Company.

Certain Management of the Company Reside outside of Canada.

In the event that Management of the Company resides outside of Canada or the Company engages in commercial relationships with foreign entities, investors may find it difficult or impossible to effect service or notice to commence legal proceedings upon any Management resident outside of Canada or upon the foreign entity and may find it difficult or impossible to enforce against such persons or entities, judgments obtained in Canadian courts.

Risks relating to the business of the Company

The Company is subject to certain risks related to the nature of its business and its present stage and speed of development.

There are numerous factors which may affect the success of the Company's business which are beyond the Company's control, including local, national and international economic, legal and political conditions. The Company's future business may involve a high degree of risk which a combination of experience, knowledge and careful evaluation may not overcome. Current or future operations of the Company in developing countries expose the Company to, among other things, political and currency risks.

The Company is in the growth stage of its development. Management of continued growth requires, among other things, stringent control of financial systems and operations, the continued development of management and financial controls and the training of new personnel. Failure to successfully manage the Company's expected growth and development could have a material adverse effect on the Company's business, results of operations and financial condition.

The Company faces unforeseen liabilities or asset impairments arising from possible acquisitions and dispositions of businesses or difficulties integrating acquired businesses.

The Company has engaged in acquisitions and dispositions of businesses, and expects to continue to do so in the future. There could be unforeseen liabilities or asset impairments, including goodwill impairments, that arise in connection with the businesses that the Company may sell or acquire. There may be liabilities or asset impairments that the Company may fail, or are unable, to discover in the course of performing due diligence investigations on acquisition targets. The Company's ability to achieve certain benefits it anticipates from any acquisitions of businesses will depend in large part upon our ability to successfully integrate the businesses in an efficient and effective manner. The Company may not be able to integrate the businesses smoothly or successfully, and the process may take longer than expected. The integration of operations may require the dedication of significant management resources, which may distract management's attention from our day-to-day business.

Insurance risk is the risk of loss due to actual experience emerging differently than assumed when a product was designed and priced with respect to mortality and morbidity claims, policyholder behaviour and expenses.

Actual experience may differ from assumptions with respect to claims, policyholder behaviour and expenses. The Company makes a variety of assumptions related to the future level of claims, policyholder behaviour, expenses and sales levels when it designs and prices products, and when it establishes policy liabilities. Assumptions for future claims are based on both Company and industry experience and predictive models and assumptions for future policyholder behavior are based on Company experience and predictive models. Assumptions for future policyholder behaviour include assumptions related to the retention rates for insurance and wealth products. Losses may result should actual experience be materially different than that assumed in the design, pricing and sale of products. Such losses could have a material adverse effect on the Company's operations and financial condition.

General property and casualty insurance claims may be impacted by the unusual onset of disease or illness, natural disasters, large-scale manmade disasters and acts of terrorism. The ultimate level of lifetime benefits paid to policyholders may be impacted by unexpected changes in life expectancy. Policyholder behaviour including premium payment patterns, policy renewals, lapse rates, and withdrawal and surrender activity are influenced by many factors including market and general economic conditions, market acceptance of insurance products and the availability and relative attractiveness of other products in the marketplace.

Reinsurance may not be available, affordable or adequate to protect the Company against losses.

The Company purchases or attempts to purchase reinsurance protection on certain risks underwritten by it. External market conditions determine the availability, terms and cost of the reinsurance protection for new business and, in certain circumstances, the cost of reinsurance for business already reinsured. Accordingly, the Company may be forced to incur additional costs for reinsurance or may not be able to obtain sufficient reinsurance on acceptable terms, which could adversely affect the Company's ability to write future business or result in the assumption of more risk with respect to those policies we issue.

The loss of any of the Company's executive officers could have an adverse impact on its business.

The Company is highly dependent upon its executive officers, and the success of the Company will be largely dependent upon the performance of such officers. In particular, the Company's President and Chief Executive Officer, Harris Kupperman, and the Company's Chief Operating Officer, Jordan Calonego, are central to the intended development of the business of the Company. At present neither Harris Kupperman nor Jordan Calonego are covered by key-man life insurance policies, and there are no plans to obtain such policies.

The Company's operations may be subject to potential losses that may not be covered by insurance.

The Company may or may not be insured against potential risks related to its future operations, however there can be no assurance that such insurance will be adequate to cover any losses or exposure for liability. The occurrence of a significant unfavourable event not fully covered by insurance could have a material adverse effect on the Company's financial condition, results of operations or cash flows. Furthermore, the Company cannot predict whether insurance will be available in the future at reasonable cost or at all.

A conflict of interest may exist between the interests of the Company and the interests of the officers, directors, control persons or other persons involved with the Company.

Certain persons associated with the Company, including the directors and officers of the Company, may serve in various capacities for other corporations or organizations, or hold a beneficial interest in such entities, through share ownership or otherwise. The directors and officers of the Company are required by law to act in the best interests of the Company. They have the same obligations to the other companies in respect of which they act as directors and officers. Discharge by the directors and officers of their obligations to the Company may result in a breach of their obligations to the other companies and, in certain circumstances, this potential breach could expose the Company to liability to those companies. Similarly, discharge by the directors and officers of their obligation to the other companies could result in a breach of their obligation to act in the best interests of the Company. Such conflicting legal obligations may expose the Company to liability to others and inhibit its ability to achieve its business objectives. To the extent that such other entities may be engaged by or compete with the Company, such officers, directors or other persons may be in a conflict of interest. Such conflicts of interest may have a material adverse effect on the Company's business, results of operations and financial condition.

Economic and geopolitical uncertainty may negatively affect the Company.

The market for any of the Company's products and/or services depends on economic and geopolitical conditions affecting the broader market. Economic conditions are beyond the Company's control. In addition, acts of terrorism and the outbreak of hostilities and armed conflicts between countries can create geopolitical uncertainties that may affect the global economy. Downturns in the economy or geopolitical uncertainties may cause potential future customers to delay or cancel projects, scale back or terminate tenancy, reduce their overall capital or operating budgets, reduce or cancel orders for the Company's products and/or services, or in other ways negatively impact the Company's business, results of operations and financial condition.

The Company's interests may be negatively affected by a force majeure or natural event beyond the Company's control.

The Company may be negatively affected by the occurrence of natural events that happen in the places of the Company's business interests and abroad. Such events include but are not limited to earthquakes, floods, fire, plague and other natural disasters that are beyond the Company's control. There can be no assurance that the Company can effectively insure against these risks at a reasonable cost, if at all, or that the Company will be fully indemnified by any such insurance in the event that such risks materialise.

The Company may be dependent on employees and affiliate for the transport, construction and/or service related to its products and services.

The Company may require the services and products of various individuals and organizations to secure the necessary skills, land or materials for the execution of key tasks involved in the development, production, construction, servicing and/or transport of its products and services. The Company's ability to fulfill its obligations may be dependent on the availability, at a reasonable cost, of the services, land and import products required to bring the Company's products and services to market. The Company has no control over the availability of these services or products, and an inability to secure such services or products on appropriate terms of trade may have a deleterious impact on the ability of the Company to fulfil some or all of its contractual obligations or planned activities, and may negatively affect the Company's business, results of operations and financial condition.

The Company may not be able to secure financing for future acquisition, development, production, construction and/or expansion plans.

The Company will require additional financing. The ability of the Company to arrange such financing will depend in part upon prevailing financing market conditions as well as the business performance of the Company and perceived attractiveness of investment in Mongolia. There can be no assurance that debt or equity financing or cash generated by operations will be available or sufficient to meet financial requirements for existing or planned operations, or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to the Company. The inability of the Company to access sufficient capital for its operations could have a material adverse effect on the Company's business and financial condition. If additional financing is raised by the issuance of shares from the treasury of the Company, control of the Company may change and shareholders may suffer dilution.

The Company could be subject to labour or other unplanned production disruptions.

The Company relies on staff, contractors, sub-contractors and other agents in the procurement, production, design, construction and delivery of products and/or services to market. If there is a material disagreement between the Company and any of these individuals, or groups of these individuals, the Company's operations could suffer an interruption that could have a material adverse effect on the Company's business, results of operations and financial condition.

Future litigation could adversely affect the Company's business, results of operations and financial condition.

From time to time, the Company may be subject to litigation arising out of its operations. Damages claimed under such litigation may be material or may be indeterminate, and the outcome or process of such litigation may materially impact the Company's business, results of operations and financial condition. While the Company will assess the merits of each lawsuit and defend itself accordingly, it may be required to incur significant expense or devote significant resources to defending itself against such litigation. In addition, the adverse publicity surrounding any such claims may have a material adverse effect on the Company's business, results of operations and financial condition.

The Company has limited cash flow from operating activities and an absence of profits.

The Company has limited cash flow from operating activities and no profits. The Company may not be successful in improving its cash flow from operating activities or demonstrating profitable operations, which would be deleterious to the Company's business, results of operations and financial condition. There is no assurance that the Company will be capable of consistently producing positive cash flows.

Failure to manage the Company's growth successfully may adversely impact its operating results.

The growth of the Company's operations places a strain on managerial, financial and human resources. The Company's ability to manage future growth will depend in large part upon a number of factors, including the ability of the Company to rapidly:

(a) attract and retain qualified personnel;

(b) expand the Company's internal management and financial controls significantly, so that the Company can maintain control over its operations and provide support to other functional areas as the number of personnel and the Company's size increases; and

(c) being able to find attractive acquisitions.

The Company's inability to achieve any of these objectives could harm the Company's business, results of operations and financial condition.

Risks Relating to Investment

Uncertainties exist as to the market price and liquidity of the Common Shares.

There can be no assurance that an active and liquid market for the Company's Common Shares will develop and an investor may find it difficult to resell its Common Shares.

Capital markets are volatile.

Securities markets throughout the world are cyclical and, over time, tend to undergo high levels of price and volume volatility, particularly those with interests in emerging markets. The market price of securities of many companies can experience wide fluctuations which are not necessarily related to the operating performance, underlying asset value or prospects of such companies. Increased levels of volatility and resulting market turmoil could adversely affect the market price of the Company's securities.

The Company may be suspended or delisted from the CNSX.

The Company may be automatically suspended from trading its securities on the CNSX or delisted altogether if the CNSX or a market regulator determines that the Company fails to meet any of the CNSX's current or future listing requirements or if it is otherwise in the public interest to suspend trading of the Company's securities.

The Company may lose all or substantially all of the invested capital.

The Company cannot guarantee the growth or preservation of capital invested in any investment capital. Any investments made by the Company may be subject to the loss of all or substantially all of the invested capital and may negatively affect the Company's financial prospects.

The Company may be subject to risks relating to the performance of its investment activities.

The value of any investment activities of the Company will be influenced by factors which are not within the control of the Company that include, but are not limited to, the actions of its business partners, commodity prices, exchange rates, interest rates, the hedging policies employed by such issuers, issues relating to the regulation of the natural resource industry and operational risks relating to the resource sector and other financial market conditions. There is no assurance that an adequate market exists for any investments made by the Company. In some circumstances, the Company may acquire or invest in business that have limited operating histories.

The Company may be subject to risks relating to commodity price fluctuations.

The demand for the Company's products and services is somewhat dependent on commodity prices. Prices for commodities may vary and are determined by supply and demand factors including weather and general economic and political conditions. A decline in commodity prices could have an adverse effect on the operations and financial condition of the Company.

The Company may be subject to risks relating to recent global financial developments.

Global financial markets have experienced sharp increases in volatility. This volatility has been, in part, the result of the revaluation of assets on the balance sheets of international financial institutions and related securities contributing to a reduction in liquidity among financial institutions and a reduction in the availability of credit to those institutions and to the issuers who borrow from them. While central banks and governments continue attempts to restore liquidity to the global economy, no assurance can be given that the combined impact of the significant revaluations and constraints on the availability of credit will not continue to materially and adversely affect economies around the world. Some or all of these economies may experience significantly diminished growth and some or all may suffer a recession the duration of which cannot be predicted. These market conditions and unexpected volatility or illiquidity in financial markets may also adversely affect the prospects of the Company. A substantial decline in the North American equities markets could be expected to have a negative effect on the Company and the market price of the Common Shares.

The Company may be subject to risks relating to its securities.

There is no assurance that an adequate market will exist for the Company's securities or its investments. The Company cannot predict whether such securities will trade at a discount to, a premium to, or at their respective net asset values. There are inherent risks in such investments, including the risk that the financial condition of the issuers in which the Company invests or the Company itself may become impaired. Equity securities are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in, and perceptions of, the issuers change.

The Company may be subject to risks relating to the use of derivatives.

The Company may invest in and use derivative instruments for hedging purposes to the extent considered appropriate by management, taking into account factors including transaction costs. There can be no assurance that the Company's hedging strategies will be effective, if any.

The Company may be subject to risks relating to the composition of its investment portfolio.

The composition of the Company's investment portfolio may vary widely from time to time and may be concentrated by type of security, commodity, industry or geography, resulting in its investment portfolio being less diversified than anticipated. Overweighting investments in certain sectors or industries involves risk that the Company will suffer a loss because of declines in the prices of securities in those sectors or industries.

Additional Information

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

APPENDIX "E"

MONGOLIA GROWTH GROUP LTD.

UNAUDITED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2012

Mongolia Growth Group Ltd.

Interim Consolidated Financial Statements
(Unaudited)
For the nine months ended
September 30, 2012 and 2011
(expressed in Canadian dollars)

Mongolia Growth Group Ltd.
Interim Consolidated Statements of Financial Position
(Unaudited)

(expressed in Canadian dollars)

	September 30, 2012 $	December 31, 2011 $
Assets		
Current assets		
Cash and cash equivalents	8,914,087	20,078,948
Investments and marketable securities	1,733,511	2,569,778
Other assets	1,143,282	427,949
Reinsurance assets	5,665	7,760
Deferred acquisition expenses	11,586	15,175
	11,808,131	23,099,610
Non-current assets		
Investments and marketable securities	1,543,930	1,446,983
Investment properties (note 4)	34,378,308	26,166,286
Property and equipment (note 5)	4,318,607	4,624,010
Total assets	52,048,976	55,336,889
Liabilities		
Trade and accrued liabilities	911,763	859,213
Income taxes payable	661,293	819,096
Insurance contract liabilities	443,274	361,820
Total liabilities	2,016,330	2,040,129
Equity (note 6)		
Share capital	51,676,360	51,681,818
Contributed surplus	3,017,072	1,846,475
Accumulated other comprehensive loss	(4,085,348)	(1,241,437)
Retained earnings	(575,438)	1,009,904
Total equity	50,032,646	53,296,760
Total equity and liabilities	52,048,976	55,336,889

Approved by the Board of Directors

Signed "Bill Fleckenstein" Director   Signed "Paulo Bilezikjian" Director

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

Mongolia Growth Group Ltd.

Interim Consolidated Statement of Operations

(Unaudited)

For the three and nine month period ended September 30, 2012 and 2011

(expressed in Canadian dollars)

	For the three months ended September 30, 2012	For the three months ended September 30, 2011	For the nine months ended September 30, 2012	For the nine months ended September 30, 2011
	$	$	$	$
Revenue				
Net premiums earned	107,025	-	297,690	-
Rental income	407,769	186,134	1,174,793	228,397
Gain on disposal of investment property	45,065	-	116,038	-
Other revenue	18,046	-	30,738	-
Total revenue	577,905	186,134	1,619,259	228,397
Expenses				
Salaries and wages	266,347	269,021	709,916	345,514
Other expenses (note 11)	615,808	288,321	1,861,030	640,174
Share based payment	390,199	391,143	1,170,597	710,591
Depreciation	27,099	106,467	68,332	141,585
Investor relations	84,836	7,605	108,556	11,672
Total expense	1,384,289	1,062,557	3,918,431	1,849,536
Net investment income	244,621	56,275	598,136	175,759
Unrealized gain on fair value adjustment on investment properties	199,080	-	199,080	-
Net loss for the period before income taxes	(362,683)	(820,148)	(1,501,956)	(1,445,380)
Income tax expense	83,386	-	83,386	-
Net loss for the period	(446,069)	(820,148)	(1,585,342)	(1,445,380)
Net loss per share				
Basic	(0.01)	(0.03)	(0.05)	(0.07)
Diluted	(0.01)	(0.03)	(0.04)	(0.07)

The accompanying notes are an integral part of these financial statements

Mongolia Growth Group Ltd.

Interim Consolidated Statement of Comprehensive Income (loss)

(Unaudited)

For the three and nine month period ended September 30, 2012 and 2011

(expressed in Canadian dollars)

	For the three months ended September 30,		For the nine months ended September 30,	
	2012	2011	2012	2011
	$	$	$	$
Net loss for the period	(446,069)	(820,148)	(1,585,342)	(1,445,380)
Other comprehensive loss - net of taxes				
Unrealized loss on AFS marketable securities	-	(844,165)	-	(619,300)
Unrealized gains (loss) on translation of financial statement operations with Mongolian MNT functional currency to Canadian dollar reporting currency	(2,575,264)	1,197,360	(2,843,911)	1,141,196
Total Comprehensive loss	(3,021,333)	(466,953)	(4,429,253)	(923,484)

The accompanying notes are an integral part of these financial statements

Mongolia Growth Group Ltd.

Interim Consolidated Statement of Changes in Equity

(Unaudited)

For the three and nine month period ended September 30, 2012 and 2011

(expressed in Canadian dollars)

	Share capital $	Contributed surplus $	Accumulated other comprehensive income $	Retained earnings (deficit) $	Total $
Balance at January 1, 2011	438,547	47,872	-	(339,249)	147,170
Net loss for the period	-	-	-	(1,445,380)	(1,445,380)
Other comprehensive income	-	-	521,896	-	521,896
	438,547	47,872	521,896	(1,784,629)	(776,314)
Share based payment	-	710,591	-	-	710,591
Share capital issued	36,530,708	-	-	-	36,530,708
Share issue costs	(305,824)	-	-	-	(305,824)
Balance at September 30, 2011	36,663,431	758,463	521,896	(1,784,629)	36,159,161

	Share capital $	Contributed surplus $	Accumulated other comprehensive loss $	Retained earnings (deficit) $	Total $
Balance at January 1, 2012	51,681,818	1,846,475	(1,241,437)	1,009,904	53,296,760
Net loss for the period	-	-	-	(1,585,342)	(1,585,342)
Other comprehensive income	-	-	(2,843,911)	-	(2,843,911)
	51,681,818	1,846,475	(4,085,348)	(575,438)	48,867,507
Share based payment	-	1,170,597	-	-	1,170,597
Share issue costs	(5,458)	-	-	-	(5,458)
Balance at September 30, 2012	51,676,360	3,017,072	(4,085,348)	(575,438)	50,032,646

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

Mongolia Growth Group Ltd.

Interim Consolidated Statement of Cash Flows

(Unaudited)

For the three and nine month period ended September 30, 2012 and 2011

(expressed in Canadian dollars)

	For the three months ended September 30, 2012	For the three months ended September 30, 2011	For the nine months ended September 30, 2012	For the nine months ended September 30, 2011
	$	$	$	$
Cash provided by (used in)				
Operating activites				
Net loss for the period	(446,069)	(820,148)	(1,585,342)	(1,445,380)
Depreciation for property and equipment	27,099	106,467	68,332	141,585
Share based payment	390,199	391,143	1,170,597	710,591
Unrealized gain on fair value adjustment on investment properties (note 4)	(199,080)	-	(199,080)	-
	(227,851)	(322,538)	(545,493)	(593,204)
Net change in non-cash working capital balances (note 9)	(1,529,957)	153,022	(733,448)	(310,012)
Net operating cash flow	(1,757,808)	(169,516)	(1,278,941)	(903,216)
Financing activities				
Proceeds from share issuance	-	-	-	36,530,708
Cost of issue of shares	-	(4,790)	(5,458)	(305,824)
	-	(4,790)	(5,458)	36,224,884
Investing activities				
Purchase of investments	-	(5,495,473)	(2,387,668)	(12,490,544)
Disposal of investments	2,730,829	2,868,319	3,126,988	6,772,273
Net acquisition of property and equipment (note 5)	405,127	(137,072)	(78,017)	(338,879)
Acquisition of investment property (note 4)	(1,298,735)	(7,060,013)	(10,979,156)	(16,733,215)
Foreign currency translation effect on investment property (note 4)	2,885,522	-	2,019,638	-
Disposition of investment property (note 4)	519,065	-	1,273,196	-
	5,241,808	(9,824,239)	(7,025,019)	(22,790,365)
Effect of exchange rates on cash	(2,587,323)	1,197,360	(2,855,443)	1,141,196
Increase (decrease) in cash and cash equivalents	896,677	(8,801,185)	(11,164,861)	13,672,499
Cash and cash equivalents - Beginning of period	8,017,410	22,611,885	20,078,948	138,201
Cash and cash equivalents - End of period	8,914,087	13,810,700	8,914,087	13,810,700

The accompanying notes are an integral part of these financial statements

(expressed in Canadian dollars)

1 Corporate information

The accompanying unaudited interim consolidated financial statements are of Mongolia Growth Group Ltd. (the Company). The Company is registered in Alberta, Canada, with its Head Office at its registered address at 1400, 700-2nd Street W, Calgary, Alberta, Canada. The Company is domiciled out of the Company's corporate office and principal place of business which is located at 706 - 34 Cumberland St. N., Thunder Bay, Ontario, P7A 4L3, Canada. The Company also has a business office for the Mongolian investment property and insurance companies in the Mandal Building on Seoul Street, Ulaanbaatar, Mongolia.

The Company is organized into three 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 or both;
- Mandal General Insurance LLC offers insurance products in Mongolia covering all common general insurance types. The Company's main lines of business are motor insurance, including voluntary motor third party liability, property, accident medical and travel and liability insurance;
- The MGG Corporate office is located in Thunder Bay, Canada and administers the financial resources, investment portfolio, corporate reporting, and legal functions of the Company.

2 Basis of presentation

These interim consolidated financial statements 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 interim consolidated financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2011, which have been prepared in accordance with IFRS as issued by the IASB.

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).

These interim consolidated financial statements were approved by the Board of Directors of the Company for issue on November 26, 2012.

(expressed in Canadian dollars)

3 Significant accounting policies

These financial statements are based on the accounting policies consistent with those disclosed in note 3 of the 2011 annual consolidated financial statements. Refer to note 3 of the 2011 annual consolidated financial statements for information on new accounting standards and amendments not yet effected.

4 Investment properties

	Nine months ended September 30, 2012 $	Twelve months ended December 31, 2011 $
Balance - beginning of period	26,166,286	-
Additions		
Acquisitions[1]	10,693,359	21,621,505
Capital expenditures	285,797	819,698
Transfer from Property and Equipment	326,620	-
Disposals	(1,273,196)	-
Foreign currency translation	(2,019,638)	(2,015,836)
Unrealized fair value adjustment	199,080	5,740,919
Balance - end of period	34,378,308	26,166,286

(1) Acquisition of foreign investment properties have been translated to Canadian dollars at the historical exchange rate and adjusted to reflect the September 30, 2012 and December 31, 2011 closing rate.

As of September 30, 2012, included in investment properties are investment properties actively being marketed for sale that are to be disposed without redevelopment with a fair value of $298,627.

During the period, the Company transferred one property, which was previously owner-occupied, from property and equipment to investment properties. The unrealized gain of the property transferred was $199,080 which was recognized in the statement of operations during the nine month period ended September 30, 2012.

The proceeds from the sale of investment properties were $1,389,234. The assets and liabilities associated with the properties were derecognized and a gain on sale of investment property in the amount of $116,038 was recorded.

The Company did not dispose of any properties during the year ended December 31, 2011.

(expressed in Canadian dollars)

5 Property and equipment

	Furniture and fixtures $	Equipment $	Vehicles $	Buildings $	2011 Total $
December 31					
Cost	109,122	81,605	234,039	4,241,393	4,666,159
Accumulated depreciation	5,780	9,926	8,618	17,825	42,149
Net book value	103,342	71,679	225,421	4,223,568	4,624,010

	Furniture and fixtures $	Equipment $	Vehicles $	Buildings $	2012 Total $
Cost					
At January 1	109,122	81,605	234,039	4,241,393	4,666,159
Additions	51,750	42,510	36,517	195,334	326,111
Disposals	-	-	-	-	-
Transfer to Investment Property	-	-	-	(326,620)	(326,620)
Foreign exchange adjustment	(4,239)	(6,764)	(6,993)	(230,098)	(248,094)
At September 30	156,633	117,351	263,563	3,880,009	4,417,556

	Furniture and fixtures $	Equipment $	Vehicles $	Buildings $	2012 Total $
Accumulated depreciation					
At January 1	5,780	9,926	8,618	17,825	42,149
Depreciation	14,388	16,575	17,743	19,626	68,332
Foreign exchange adjustment	(1,041)	1,934	(1,540)	(10,885)	(11,532)
At September 30	19,127	28,435	24,821	26,566	98,949
Net book value at September 30	137,506	88,916	238,742	3,853,443	4,318,607

(expressed in Canadian dollars)

6 Equity

Stock options

A summary of the Company's options as at September 30, 2012 and December 31, 2011 and changes during the periods then ended follows:

	September 30, 2012	Weighted average exercise price $	December 31, 2011	Weighted average exercise price $
Balance, beginning of period	1,697,000	3.36	296,430	0.20
Options cancelled	-	-	(296,430)	(0.20)
Options granted	190,000	4.00	1,825,000	3.42
Options forfeited	(55,000)	(4.25)	(128,000)	(4.20)
Balance, end of the period	1,832,000	3.40	1,697,000	3.36
Exercisable	-		-	
Weighted remaining average life (years)	4.98		5.7	

During the first half of 2012, 50,000 options with an exercise price of $4.20 and 5,000 options with an exercise price of $4.77 per option were forfeited. None were forfeited in the third quarter.

On March 23, 2012, the Company issued 190,000, 5 year stock options at a price of $4.00 per share.

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

	Nine months ended September 30, 2012 $	Twelve months ended December 31, 2011 $
Weighted average number of shares – basic	34,143,352	23,902,851
Effect of dilutive stock options	1,773,752	1,101,214
Weighted average number of shares – diluted	35,917,104	25,004,065

Basic earnings (loss) per share are derived by dividing net income (loss) for the year 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.

(expressed in Canadian dollars)

There have been no significant capital transactions from the reporting date to the date of this filing which have had a material impact on earnings per share.

7 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.

Summary of significant transactions with related parties for the nine month period ended September 30, 2012 are presented below:

	Mandal General Insurance $
Payment of rental expense to Zulu and Orpheus LLC	100,680
Insurance premium paid by Big Sky and subsidiaries	16,766

These related party transactions were eliminated upon consolidation.

The insurance risk on the property portfolio paid by the real estate companies to Mandal Insurance are 99% ceded.

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

	Expense $
Salaries and other short-term employee benefits	150,000
Share-based payments	342,537
	492,537

(expressed in Canadian dollars)

8 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 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.

The Company is also subject to litigation arising in the normal course of conducting its insurance business. The Company is of the opinion that this litigation will not have a significant effect on the financial position, financial performance or cash flows of the Company.

9 Supplementary cash flow information

	For the three months ended September 30,		For the nine months ended September 30,	
	2012 $	2011 $	2012 $	2011 $
Changes in non-working capital arising from				
Other assets	(151,360)	(116,700)	(715,333)	(580,718)
Trade and other payables and accrued liabilities	(1,395,683)	269,722	52,550	270,706
Reinsurance assets	(751)	-	2,095	-
Deferred acquisition expense	152	-	3,589	-
Income tax payable	(55,847)	-	(157,803)	-
Insurance contract liabilities	73,532	-	81,454	-
Changes in non-cash working capital from operating activities	(1,529,957)	153,022	(733,448)	(310,012)

(expressed in Canadian dollars)

10 Segment information

The Company's operations are conducted in three reportable segments; Investment Property Operations, Insurance 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.

Insurance Operations includes general property and casualty insurance products in Mongolia. Insurance underwriting and claims handling functions are administered through Mandal General Insurance LLC.

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.

(expressed in Canadian dollars)

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

	Nine months ended September 30, 2012			
	Investment property $	Insurance $	Corporate $	Total $
Rental income	1,174,793	-	-	1,174,793
Property operating expenses	(51,811)	-	-	(51,811)
Unrealized gains on fair value adjustment on investment properties	199,080	-	-	199,080
Salaries and wages	(208,313)	(298,921)	(202,682)	(709,916)
Professional fees	(277,908)	(54,345)	(293,379)	(625,632)
Advertising	(4,821)	(149,471)	(9,068)	(163,360)
Travel	(11,368)	(5,518)	(166,453)	(183,339)
Land and property tax	(155,804)	-	-	(155,804)
Insurance	(16,766)	-	(18,230)	(34,996)
Utility	(60,883)	(2,087)	-	(62,970)
Net premiums earned	-	297,690	-	297,690
Claims and insurance benefits incurred	-	(110,321)	-	(110,321)
Share based payment	(402,870)	(407,682)	(360,045)	(1,170,597)
Other expenses	(198,237)	(124,374)	(258,742)	(581,353)
Depreciation	(37,293)	(23,833)	(7,206)	(68,332)
Net investment income	157,636	433,742	6,758	598,136
Gain on disposal of investment property	116,038	-	-	116,038
Other revenue	5,713	25,025	-	30,738
Net income (loss) before income taxes	227,186	(420,095)	(1,309,047)	(1,501,956)

(expressed in Canadian dollars)

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

	Three months ended September 30, 2012			
	Investment property $	Insurance $	Corporate $	Total $
Rental income	407,769	-	-	407,769
Property operating expenses	(12,075)	-	-	(12,075)
Unrealized gain on fair value adjustment on investment properties	199,080	-	-	199,080
Salaries and wages	(71,255)	(119,759)	(75,333)	(266,347)
Professional fees	(174,252)	-	(93,886)	(268,138)
Advertising	(1,796)	(27,497)	(100)	(29,392)
Travel	(1,234)	(4,466)	(44,754)	(50,454)
Land and property tax	(66,294)	-	-	(66,294)
Insurance	21,726	-	(6,414)	15,312
Utility	(15,613)	(1,068)	-	(16,681)
Net premiums earned	-	107,025	-	107,025
Claims and insurance benefits incurred	-	(72,793)	-	(72,793)
Share based payment	(134,290)	(135,894)	(120,015)	(390,199)
Other expenses	(57,204)	(66,712)	(76,212)	(200,128)
Depreciation	(13,209)	(9,078)	(4,812)	(27,099)
Net investment income	96,299	146,934	1,388	244,621
Gain on disposal of investment property	45,065	-	-	45,065
Other revenue	2,391	15,655	-	18,046
Net income (loss) before income taxes	225,108	(167,653)	(420,138)	(362,683)

(expressed in Canadian dollars)

	Nine months ended September 30, 2011			
	Investment property $	Insurance $	Corporate $	Total $
Rental income	228,397	-	-	228,397
Property operating expenses	(81,568)	-	-	(81,568)
Salaries and wages	(172,829)	(97,961)	(74,724)	(345,514)
Professional fees	(69,260)	-	(186,057)	(255,317)
Advertising	(385)	(39,605)	-	(39,990)
Travel	(3,972)	(8,343)	(29,860)	(42,175)
Land and property tax	(6,552)	-	-	(6,552)
Utility	(7,264)	-	(8,372)	(15,636)
Net premiums earned	-	-	-	-
Claims and insurance benefits incurred	-	-	-	-
Share based payment	(23,468)	(545,113)	(142,010)	(710,591)
Other expenses	(119,915)	(31,398)	(59,295)	(210,608)
Depreciation	(134,588)	(5,959)	(1,038)	(141,585)
Net investment income (loss)	-	95,078	80,681	175,759
Other revenue	-	-	-	-
Net income (loss) before income taxes	(391,404)	(633,301)	(420,675)	(1,445,380)

(expressed in Canadian dollars)

	Three months ended September 30, 2011			
	Investment property $	Insurance $	Corporate $	Total $
Rental income	186,134	-	-	186,134
Property operating expenses	(50,938)	-	-	(50,938)
Salaries and wages	(153,237)	(61,610)	(54,174)	(269,021)
Professional fees	(49,872)	-	(46,585)	(96,457)
Advertising	(385)	(39,283)	-	(39,668)
Travel	(3,972)	(8,343)	(14,404)	(26,719)
Land and property tax	(438)	-	-	(438)
Utility	(6,361)	-	(8,372)	(14,733)
Net premiums earned	-	-	-	-
Claims and insurance benefits incurred	-	-	-	-
Share based payment	(21,060)	(287,775)	(82,308)	(391,143)
Other expenses	(50,926)	(17,053)	1,006	(66,973)
Depreciation	(101,916)	(3,771)	(780)	(106,467)
Net investment income (loss)	(2,715)	95,078	(36,088)	56,275
Other revenue	-	-	-	-
Net income (loss) before income taxes	(255,686)	(322,757)	(241,705)	(820,148)

(expressed in Canadian dollars)

				September 30, 2012
Balance as of September 30, 2012:	**Investment property $**	**Insurance $**	**Corporate $**	**Consolidated $**
Total assets	45,362,300	4,625,847	2,060,829	52,048,976
Property and equipment	4,088,498	201,464	28,645	4,318,607
Investment properties	34,378,308	-	-	34,378,308
Period Expenditures				
Property and equipment	231,147	93,495	1,469	326,111
Investment properties	10,979,157	-	-	10,979,157

				September 30, 2011
Balance as of September 30, 2011:	**Investment property $**	**Insurance $**	**Corporate $**	**Consolidated $**
Total assets	25,900,153	5,000,276	5,539,115	36,439,544
Property and equipment	154,949	150,784	17,930	323,663
Investment properties	16,606,846	-	-	16,606,846
Period Expenditures				
Investment properties	16,606,846	-	-	16,606,846

	Revenue		Property and equipment		Investment property	
	Sept. 30, 2012 $	Sept. 30, 2011 $	Sept. 30, 2012 $	Sept. 30, 2011 $	Sept. 30, 2012 $	Sept. 30, 2011 $
Barbados	-	-	-	-	-	-
Canada	-	-	28,645	17,930	-	-
Mongolia	1,619,259	228,397	4,289,962	305,733	34,378,308	16,606,846
	1,619,259	228,397	4,318,607	322,663	34,378,308	16,606,846

(expressed in Canadian dollars)

11 Other expenses

	Three months ended September 30, 2012 $	Three months ended September 30, 2011 $	Nine months ended September 30, 2012 $	Nine months ended September 30, 2011 $
Professional fees	268,138	96,457	625,632	255,317
Advertising	29,393	39,668	163,360	39,990
Travel	50,454	26,719	183,339	42,175
Land and property tax	66,294	438	155,804	6,552
Insurance	(15,312)	3,792	34,996	9,237
Utility expense	16,681	14,733	62,970	15,636
Net claims incurred	72,793	-	110,321	-
Other expenses	127,367	106,514	524,608	271,267
	615,808	288,321	1,861,030	640,174

12 Subsequent events

Subsequent to the period end the Company sold 3 investment properties with a fair value of approximately $142,000 for cash proceeds of approximately $155,000.

13 Comparative Figures

The comparative figures presented in the financial statements have been restated to conform to the current period's presentation.

APPENDIX "F"

MONGOLIA GROWTH GROUP LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2012

MONGOLIA GROWTH GROUP LTD.

Management Discussion & Analysis

September 30, 2012

MONGOLIA GROWTH GROUP LTD.

Management Discussion & Analysis

September 30, 2012

The management of Mongolia Growth Group Ltd. ("MGG" or "the Company") presents the Company's management discussion and analysis for the three and nine month period ended September 30, 2012 (the "MD&A"), compared with the three and nine month period ended September 30, 2011. As of January 1st, 2011, the Company adopted International Financial Reporting Standards ("IFRS"). This MD&A provides an overall discussion, followed by analyses of the performance of the Company'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 November 26, 2012 and incorporates all relevant information and considerations to that date.

The following discussion and analysis should be read in conjunction with the unaudited interim consolidated financial statements of the Company for the period ended September 30, 2012 and September 30, 2011 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 earnings before interest, taxes, depreciation and amortization ("EBITDA"). MGG uses EBITDA as a measure of the performance of its operating subsidiaries as it excludes depreciation and interest charges, which are a function of the company'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 Company 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.

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 Company's management may make estimates and have opinions that form the basis for the forward-looking statements. The Company assumes no obligation to update such statements if circumstances, management's estimates or opinions change.

Overall Performance

Mongolia Growth Group Ltd. is a Canadian holding company that invests in both the real estate and financial services industries in Mongolia. MGG is presently engaged in the business of: (i) the ownership of residential, retail and office investment properties; (ii) the management of investment properties; (iii) the repair, construction and development of investment properties; (iv) the underwriting of property and casualty insurance risks; and (v) the sales of property and casualty insurance.

Property

In all its investment property operations, MGG strives to provide the highest quality locations to tenants, which augments their accommodations, business sales, or office environment. MGG's strategy is to acquire the best-located properties in Mongolia, to repair and redevelop as needed, then to lease the properties to the tenant which benefits most from their location and quality.

The Company's property portfolio has grown through acquisition and to a lesser extent, through additions of space via construction. As new footage is integrated into the MGG model, the Company's ability to offer a unique product, multi-unit retail platforms, or large format office space has led to relationships with some of the largest businesses operating in Mongolia. The Company believes that by working with such successful firms, it will add value to the local firms which will benefit from such unique offerings, and will lead to excess profitability to the company, vis-à-vis above market rental yields.

As the Mongolian consumer has benefited from an increase in gross and disposable income, the tenancies of the Company's investment properties have been able to support increased rents. This market improvement in the rental business has supported company results as most re-let properties have seen double-digit increases in rents and a commensurate increase in property valuation.

The general property market continues to be influenced by improvement in the overall Mongolian economy. Since the beginning of the 2012 fiscal year, certain locations have seen a smaller increase in rental rates, generally at the mid-to-low end of the commercial property market or the high-end of the residential market, while well located high-end commercial properties and low-end residential properties have seen more substantial increases in rents.

Over the course of the year, moves by the Mongolian Central Bank to raise interbank rates and bank reserve requirements amongst banks have led to a slowdown in terms of monthly price appreciation of property values such that essentially, during the third quarter, there was no noticeable increase in property prices. However, rents have continued to increase, thus, capitalization rates have also increased, creating more opportunities.

The Company believes that increases in nominal gross domestic product will lead to further increases in both the rental rates and valuations of properties in Mongolia. MGG's property division should benefit from such increases in nominal gross domestic product due to the operational leverage inherent in a property business with relatively fixed operating costs. It is expected that the majority of the organic growth in the revenue of the property division going forward should accrue to the Company's bottom line due to such embedded operating leverage.

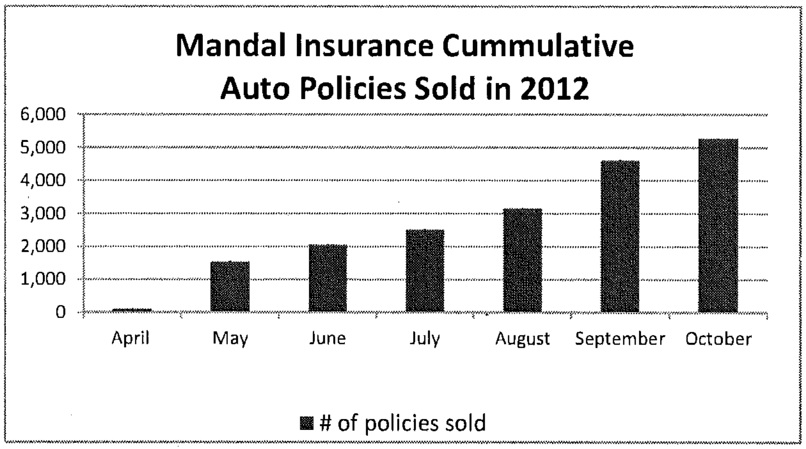
Insurance

The Company's insurance subsidiary (Mandal General Insurance or "Mandal") began underwriting in the fourth quarter of last year. The underwriting capacity and knowledge of the insurance subsidiary was acquired vis-à-vis the initial overfunding of the company in relation to its risks, and by the hiring of individuals that had previously obtained insurance experience in both Mongolia and abroad. The sales process for the insurance company is longer term in nature. Retail sales continue to substantially lag corporate sales, which are much larger in nature and are infrequent in occurrence.

As the Mongolian consumer and business market becomes larger and more understanding of the inherent benefits of insurance, the market is expected to grow substantially. According to the Financial Regulatory Commission ("FRC"), over the past five years, nationwide underwriting has grown at over 20% per annum. Due to the small nature of the insurance market, and the newness of the company's insurance subsidiary as an entrant in the market, the insurance subsidiary's primary focus has been on business systems development, product development, brand awareness, and marketing.

According to statistics produced by FRC, at the end of June 2012, Mandal represented 14.8%, 7.8%, 3.0% and 2.0% of the total equity capital, assets, gross premiums and net premiums of the Mongolian Insurance Market. This is an increase from 14.5%, 8.3%, 0.9% and 0.9% respectively at calendar year end 2011.

Mandal continues to have marketing success, particularly in mandatory driver's liability where the total policy count has now grown to 5,276 policies as of the end of October 2012.



Economic Outlook

The continued economic growth in the economy over the past quarter is thought to be attributable to the mining and construction boom taking place in Mongolia, mainly resulting from the construction of the Oyu Tolgoi copper and gold mine, and mining of various coal deposits. The associated infrastructure requirements for these projects have also served to continue to strengthen the local economy. Management has seen a resiliency in the local economy and has experienced a strong business environment. Since little construction takes place during the frigid Mongolian winter, there is a continued lack of sufficient commercial and residential property for tenants. This has led to recent increases in rental rates in most commercial market sectors, especially those in proximity to the downtown core.

The Mongolian real estate market appears to have hit a plateau without any noticeable increase in prices during the third quarter. However, the lack of bank financing for large scale real estate projects has led to a number of distressed towers that are in need of capital for completion. . Meanwhile, the Mongolian insurance markets continued to experience increased insurance underwriting.

Selected Quarterly Financial Information

	Quarter ended September 30 2012	Quarter ended September 30 2011	Quarter ended September 30 2010
Revenue and other income	577,905	186,134	439
Income			
Income (loss) from continuing operations attributable to equity holders of the Company *	(446,069)	(820,148)	(259,734)
Net Income (loss) attributable to equity holders of the Company	(446,069)	(820,148)	(259,734)
Comprehensive income (loss) attributable to equity holders of the Company	(3,021,333)	(466,953)	(259,734)
Basic earnings per share ("EPS") (in dollars)			
Earnings (loss) from continuing operations	(0.01)	(0.02)	(0.07)
Net income (loss)	(0.01)	(0.02)	(0.07)
Diluted EPS (in dollars)			
Earnings (loss) from continuing operations	(0.01)	(0.02)	(0.07)
Net Income (loss)	(0.01)	(0.02)	(0.07)
Balance Sheet			
Total Assets	52,048,976	36,439,544	303,628
Financial liabilities	2,016,330	280,383	185,269
Total Equity	50,032,646	36,159,161	118,359
Shares Outstanding at period end	34,143,352	30,297,198	3,514,300
Book Value per share	1.47	1.19	0.03

Results of Operations

As of September 30, 2012, MGG's operations continued to focus on the rapid growth of the Mongolian economy. As part of its corporate strategy of aggressive growth, the Company has continued to purchase rentable property, repair and expand existing properties, lease available properties, sell property and casualty insurance and participate in activities consistent with raising capital.

Refer to Note 10 of the interim financial statements of the Company for a table of segmented data.

Revenues

MGG's consolidated revenues for the quarter ended in September 30, 2012 increased to $577,905, from $186,134 during the quarter ended September 30, 2011. Consolidated revenues for the nine months ended September 30, 2012 increased to $1,619,259 from $228,397 for the nine months ending September 30, 2011. The majority of the increase in revenue is attributable to having a full nine months of operations in 2012 whereas 2011 the Company was in the start-up phase and did not have the same amount of rentable investment property in the property company for the entire nine month period.

The Company's investment property business contributed the majority of the revenue for the third quarter, $407,769 of rental income compared to $186,134 during the third quarter of 2011. The property business contributed rental income of $1,174,793 for the nine months ended September 30, 2012 compared to $228,397 for the nine months ended September 30, 2011. As well, related to investment properties, in the third quarter the Company realized a gain of $45,065 on disposal of investment properties which were classified as held for sale ($70,973 in Q2 2012, and $0 in Q3 2011). There were no properties disposed of in the first quarter of 2012 or the year ending 2011.

The Company's insurance business contributed $107,025 of net earned premium and $146,934 of net investment income during the third quarter of 2012. For the nine months ending September 30, 2012 the Company's insurance business contributed $297,690 of net earned premium and $433,742 of net investment income. The insurance business did not begin selling policies until the fourth quarter of 2011, and as such, no comparable figures are available for the period ending September 30, 2011.

The Company's corporate division earned $1,388 of net investment income for the third quarter and $6,758 for the nine months ending September 30, 2012. For the third quarter of 2011 the corporate division had a loss in investment income of $36,088 and a gain of $80,681 for the nine months ended September 30, 2011.

These increases in business activity were offset by a 12% decrease in the average exchange rate between the Mongolian Tögrög and the Canadian Dollar for the third quarter of 2012 versus the third quarter of 2011.

Expenses

Total expenses for the third quarter of 2012 increased to $1,384,289 from $1,062,557 during the third quarter of 2011. Total expenses for the nine months ending September 30, 2012 increased to $3,918,431, from $1,849,536 during the same nine month period of 2011. The increases in expenses for the quarter is mainly attributed to the operating expenses which have increased due to increases in operations and general expenses related to the growth of the business. Also, there was a considerable increase in share based payments from $710,591 for the period ending

September 30, 2011 to $1,170,597 for the period ending September 30, 2012 As the company was in the start-up phase in 2011, increases in expenses in 2012 were a result of the implementation of the businesses of the Company.

Operating Profit (Loss)

The property business of MGG generated an Operating or EBITDA gain of $276,308 during the third quarter of 2012 (Q3 2011 – loss of $129,995) and $509,713 for the nine months ending September 30, 2012 (nine months ending September 30, 2011 – loss of $233,348). In addition the property business reported investment income of $96,299 in the third quarter of 2012 (2011 – nil). This gain is the result of increased rental revenue offset by an increase in expenses associated with building a property management team, along with increased property taxes and insurance expense associated with a larger portfolio. In addition, the property division reported a gain from the reclassification of a property asset from property and equipment into investment properties as well as a gain on the disposal of investment property. In addition, this division had added expenses related to due diligence on property assets that were not acquired, certain pre-development expenses that were not capitalized related to future property developments and employee education and training activities that have no offsetting revenue impact. MGG's insurance business generated an Operating or EBITDA loss of $169,615 during the third quarter of 2012 (Q3 2011 – loss of $126,289), and a loss of $422,322 for the nine months ending September 30, 2012 (nine months ending September 30, 2011 – loss of $177,307). In addition the insurance company reported investment income of $146,934 for the third quarter 2012 (2011 –$95,078) and $433,742 for the nine months ending September 30, 2012 (nine months ending September 30, 2011 –$95,078). The majority of this is due to an increase in net premiums earned and continuing investment income offset by sizable marketing expenses associated with building the Mandal brand.

The Company's corporate overhead contributed to an Operating or EBITDA loss of $296,699, during the third quarter of 2012 (Q3 2011 –$122,529) and a loss of $948,554 for the nine months ending September 30, 2012 (nine months ending September 30, 2011 – loss of $277,627). The majority of this loss was incurred for legal and audit expenses and other corporate expenses associated with the general corporate activity of the Company.

In total the Company's divisions reported an Operating or EBITDA loss of $190,006 during the third quarter of 2012 (Q3 2011 – loss of $378,813). In addition the Company reported interest income of $244,621 (Q3 - $56,275) during the quarter, for an Operating gain (including interest income and expenses) of $54,615, during the third quarter of 2012 (nine months ending September 30, 2011 – loss of $322,538).

Net Income

For the quarter ended September 30, 2012, the Company incurred a net loss of $446,069 compared to a net loss of $820,148 for the quarter ended September 30, 2011. For the nine months ended September 30, 2012, the Company incurred a net loss of $1,585,342 compared to a net loss of $1,445,380 for the nine months ended September 30, 2011. The increased revenue in 2012 was outweighed by a significant increase in operating expenses and employee and consulting option amortization from 2011 to 2012 which is a result of growth in the Company's operations.

Management cautions investors that the Company 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.

Summary of Quarterly Results

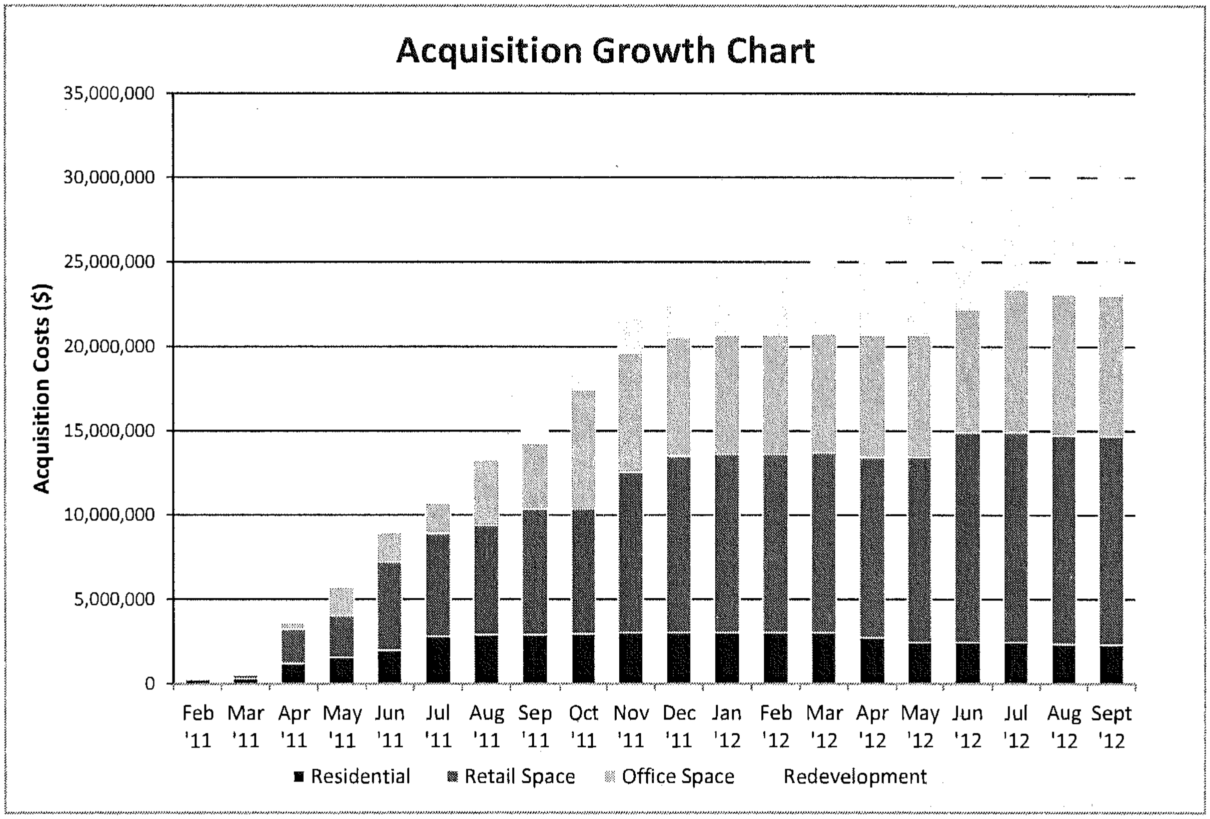
The following table provides selected financial information for the eight most recently completed quarters.

Quarterly Consolidated Financial Information

	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010
Revenue	577,905	571,472	469,882	360,914	186,134	42,263	0	456
Net income (loss)	(446,069)	(494,782)	(644,491)	2,794,533	(820,149)	(485,585)	(139,646)	28,881
Income (loss) per common share	(0.01)	(0.02)	(0.02)	0.11	(0.03)	(0.02)	0.00	0.00
Total Assets	52,048,976	56,058,108	55,783,296	55,336,889	36,439,544	36,250,423	10,353,848	156,847
Weighted Average Shares	34,143,352	34,143,352	34,143,352	23,902,851	21,814,422	16,617,951	10,184,185	3,239,300
Ending Shares	34,143,352	34,143,352	34,143,352	34,143,352	30,297,168	30,297,198	14,167,571	2,964,300

MGG's revenue continued to grow, with third quarter consolidated revenue and net investment income increasing to $577,905 compared to second quarter 2012 consolidated revenue and net investment income of $571,472, an increase of 1%. The increase in revenues has been offset by a decline in value of the Mongolian Tögrög. There was approximately a 5% decline in the Mongolian Tögrög's average rate between Q2 and Q3 2012.

The following chart describes the Company's month end net property portfolio at cost, by property type, since inception. Note that this chart includes both properties classified as investment properties, held for sale, as well as those classified under property and equipment:



Acquisition Costs were translated from Mongolian Tögrög into Canadian dollars at the September 30, 2012 rate of 1424.9352 .

Property

During the third quarter, MGG's property subsidiary earned rental income of $407,769, compared to rental income of $383,104 in the second quarter, an increase of 6.4%. This increase is the result of the addition of properties to the investment portfolio, offset by an increase in commercial properties being renovated, certain property revenues related to Mandal being eliminated on consolidation, the sale of certain residential units.

In Q3, this subsidiary has also earned net investment income of $96,299 on its investment portfolio, compared to $61,377 during the second quarter.

The property division's overhead expenses rose significantly throughout the past year, but rose less rapidly during this past quarter. Management expects this to continue to be the case throughout the next year.

MGG's property portfolio has decreased to $34,378,308 in Q3 from $35,958,460 at the end of the third quarter, taking into consideration the effects of foreign currency translation. This is a $1,580,152 decrease or 4.4% decrease compared to the second quarter of 2012. This decrease was primarily due to the depreciation of the Mongolian currency as well as the sale of 7 investment properties, offset by the purchase of one large property. The Company anticipates that the investment portfolio will continue to increase in the future.

Insurance

The third quarter of 2012 represents the Company's fourth complete quarter of operations since policies were approved by FRC. During the third quarter, MGG's insurance subsidiary earned net premiums of $107,025, compared to net earned premiums of $118,682 in the second quarter, a decrease of 9.8%. This subsidiary has also earned net investment income of $146,934 on its investment portfolio, compared to $150,264 during the second quarter, a decrease of 2.2%.

The insurance subsidiary has spent aggressively to develop the Mandal brand name through advertising. The Company expects this marketing spending to increase nominally in the future, but decline relative to premiums written. The management team at Mandal continues to explore ways to leverage marketing spend through creative partnerships.

Similar to the foundation of the Company's property business, Mandal has hired staff and incurred expenses that lead to a high level of operational leverage. Many divisions of the insurance operation would not be required to expend further resources even given a substantial increase in premiums written. The largest expense within the insurance business in the future should be reserving, but at the present juncture, it happens to be the recognition of the cost of employee and consultant stock options. Employee stock option expense as a percentage of costs should decrease over time as revenues increase.

Corporate

Quarterly expenses related to corporate operations totalled $421,526, compared to $543,299 during the second quarter of 2012, a 22% decrease. The decrease in corporate expenses is mainly attributed to professional fees and travel which were significantly lower in the quarter.

The Company has continued to incur elevated expenses at the corporate level due to the high cost of being a public company. It is expected that expenses should normalize near current levels in future quarters. The Company has recently begun a program to more aggressively invest cash reserves until they are utilized and this increased interest income should somewhat offset corporate expenses.

Liquidity

As at September 30, 2012, MGG had working capital of $9,791,801 (2011 - $19,228,652) comprised of cash and cash equivalents, investments and marketable securities, other assets, reinsurance assets, deferred acquisition expenses, net of trade and accrued liabilities, income taxes payable and insurance contract liabilities. Management considers the funds on hand to be sufficient to meet its ongoing obligations.

Related Party Transactions

For the nine months ending September 30, 2012, Mandal General Insurance paid $100,680 to property subsidiaries of MGG, as payment for their office rental and a retail outlet. Also for the nine months ended September 30, 2012, the Company's various property subsidiaries paid a total of $16,766 to Mandal General Insurance for insurance coverages on MGG's portfolio of investment properties along with various auto insurances. 99% of the property related risks associated to these coverages were ceded to a well-rated re-insurer and a well-rated direct lines insurer.

These related party transactions are not expressed in segmented reporting of either the insurance business or the property business as both the revenue and expenses associated to them are eliminated upon consolidation.

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 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 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 Company. An external appraiser estimates the fair value 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 and industry conditions, has an increased inherent risk given the lack of reliable and comparable market information. At December 31, 2011, the unrealized fair value adjustment was $5,740,919. During the third quarter of 2012, there was one fair value adjustment done relating to a property that was previously used by the Company and was thus allocated to Property and Equipment. During the quarter this property was no longer used by the Company and thus was reallocated to Investment Properties at its fair value.

- Valuation of insurance contract liabilities - The estimate of the ultimate liability arising from claims made under insurance contracts is another critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. The ultimate cost of claims liabilities is estimated by using a range of standard actuarial claims projection techniques in accordance with Canadian accepted actuarial practice. At September 30, 2012, the insurance contract liabilities totalled $443,274.

- 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. For the quarter ending September 30, 2012, the cost of the share based payments totalled $390,199.

- 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.

Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, investments and marketable securities, accounts receivable and trade and accrued payables. The Company is subject to interest risk as it earns interest income from its cash deposits. It is Management's opinion that the Company 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 the majority of the Financial Instruments of the Company as they are held in Mongolian Tögrög. For further discussion of financial instrument risks, see the Insurance and Financial Risk Management note.

Capital Risk Management

The Company's objective when managing capital is to ensure the Company is capitalized in a manner which provides a strong financial position for its shareholders.

The Company's capital structure includes equity and working capital. In managing its capital structure, the Company considers future investment and acquisition opportunities, potential credit available and potential issuances of new equity. The Company's objective is to maintain a flexible capital structure that will allow it to execute its stated business. Upon acquiring investment properties and operating businesses, the Company will strive to balance its proportion of debt and equity within its capital structure in accordance with the needs of the continuing business. The Company may, from time to time, issue shares and adjust its spending to manage current and projected proportions as deemed appropriate.

The method used by the Company to monitor its capital is based on an assessment of the Company's working capital position relative to its projected obligations. At September 30, 2012, the Company's working capital was $9,791,801 (2011 - $19,228,652) and the Company had no debt.

Off-Balance Sheet Items

As of September 30, 2012, the Company has no off-balance sheet items.

Financial Risk Management

Credit risk

The Company'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 Company's investments consisted of institutional deposits. The majority of the funds invested are held in reputable Barbadian, Canadian or Mongolian banks. The Company is in the early stages of development and is continually improving its policies regarding monitoring its credit risk.

The Company is exposed to credit risk as an owner of real estate in that tenants may become unable to pay the contracted rents. The Company mitigates this risk by carrying out appropriate credit checks and related due diligence on the significant tenants. The Company's properties are diversified across residential and commercial classes.

Amounts due from policy holders are short-term in nature and are not subject to material credit risk.

Liquidity risk

As at September 30, 2012, the Company 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 September 30, 2012. The Company does not have material liabilities that can be called unexpectedly at the demand of a client.

Currency risk

The Company owns properties located in Mongolia and marketable securities in Mongolia and Barbados, and is therefore subject to foreign currency fluctuations that may impact its financial position and results. Changes in the Mongolian Tögrög and U.S. to Canadian dollar foreign currency exchange rate impact the fair value of securities denominated in Mongolian Tögrög and in U.S. dollars. The Mongolian operations hold their investments in Mongolian Tögrög denominated securities and the Canadian operations hold securities denominated in Canadian and U.S. dollars.

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 International Financial Reporting Standards.

Instead, an optional form of certification has been made available to junior reporting issuers and has been used by the Company's certifying officers for the September 30, 2012 interim filings. The new certification reflects what the Company considers to be a more appropriate level of CEO and CFO certification given the size and nature of the Company's operations. This certification requires the certifying officers to state that:

(i) they have reviewed the interim MD&A and consolidated financial statements;

(ii) 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;

(iii) 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 Company as of the date and for the periods presented in the filings.

Strategy

MGG separates its operations into three reporting segments for ease of management oversight. These segments are property, insurance, and corporate.

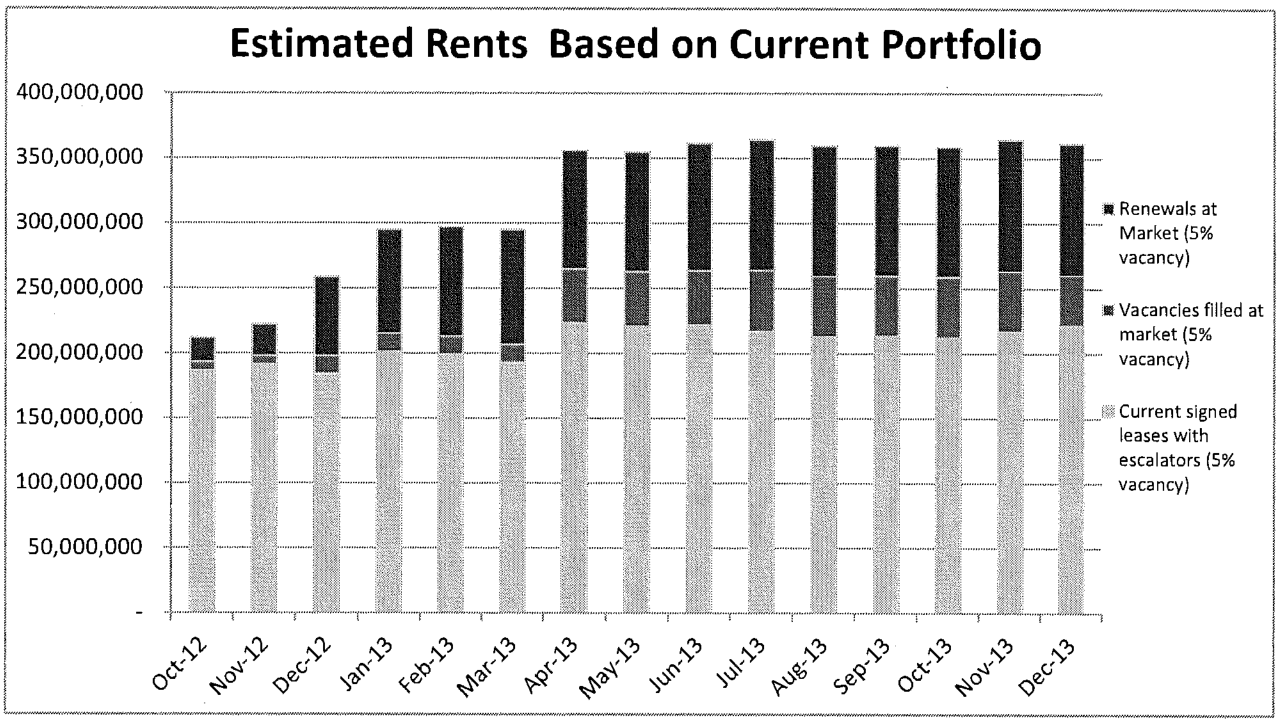
At all three reporting segments, the Company's focus has been on hiring key employees, implementing reporting systems, and setting the Company up for continued growth in the future. The most difficult challenge that the Company has encountered is finding skilled employees, given the growth experienced during the past year. The growth in employees has moderated now that the majority of key positions are filled. The Company plans to spend more time and energy on training employees, rather than hiring many new employees, as the Company grows in the near future.

Property

MGG's property division continues to exhibit rapid growth in assets. Management and employees have worked hard to aggressively build up the infrastructure needed to manage this division. There is no anticipation that management expenses will increase materially on a nominal level beyond inflationary increases in salaries. Expenses in the property division are likely to decline as a percentage of revenues in the future.

Due to the rapid growth of the Mongolian economy and a shortage of high quality rental locations, property rents are increasing rapidly, particularly in office and prime retail locations. When leases have been reviewed, many of them are at rates that are substantially below market rents. These leases should reset over the short-term and should substantially increase revenues if rental rates stay current. The Company has maintained most leases on short durations. The Company also includes rent escalation clauses in most of its leases with tenants that are over one year in duration.

The following chart shows expected rents from currently signed leases (bottom), expected rents from expiring leases if they are re-leased at September 30, 2012 market rates (middle) and current vacancies and properties undergoing renovations if they were leased out at September 30, 2012 market rates (top), with the assumption that all vacancies will be leased out immediately and all renovation properties will be leased out the month after the renovation is completed. All three categories of leases assume 5% average vacancy rates.



MGG's property investment subsidiary plans on further expanding via the investment of additional capital into income producing and redevelopment properties in Ulaanbaatar. The Company's plan is contingent on procuring further funds for investment and on finding suitable investment targets which meet or exceed MGG's stringent investment criteria.

Since inception, MGG has acquired a number of redevelopment properties. To date, the Company has only remodeled, rebuilt and completed additions on properties. It is Management's intent to begin small-scale denovo property development on both company owned brownfield and greenfield sites. MGG's intent is to remain a substantial owner of the properties, post-completion.

During the third quarter, MGG began the substantial renovation of its corporate headquarters and two other office buildings. This renovation resulted in certain tenants leaving the buildings or reconfiguring their office space usage. It is envisioned that when these renovations are completed near year-end 2012, the spaces will be substantially improved and lead to higher rental revenues for the property division upon lease out.

To date, only minimal work has been done in evaluating the potential economics of these properties, but based on rough estimates, the following numbers would appear to be representations of the potential economics of these projects based on September 30, 2012 market prices for construction costs, average market rents and sale prices observed in Ulaanbaatar. Management cautions investors that these numbers will change dramatically based on future changes in building costs in Ulaanbaatar and changes in market rents and sale prices. In addition, Management is looking for ways to expand these land packages which will potentially impact the economics of the projects.

	Approx. Meters of Land	**Development Type**	**Approx. Finished Size**	**Approx. Build Cost**	**Current Monthly Rent**	**Expected Payback on Development**
Asset 1	2,200	Class A Office	30,000 Meters	$1,200-$1,500 Per Meter	$40-$60 Per Meter	2.5 To 4 Years
Asset 2	2,600	Class A Office	40,000 Meters	$1,200-$1,500 Per Meter	$40-$60 Per Meter	2.5 To 4 Years
Asset 3	1,300	Residential	300 Units	$900-$1,200 Per Meter	$2,500-$3,500 Per Meter Sale Price	Pre-Sales Should Fund It.
Asset 4	8,000	Mixed Use	30,000 Meters	$1,000-$1,300 Per Meter	$20-$40 Per Meter	3 To 6 Years
Asset 5	900	Mixed Use	10,000 Meters	$1,000-$1,300 Per Meter	$40-$60 Per Meter	2.5 To 4 Years
Asset 6	1,700	3 Floor Retail	5,000 Meters	$700-$800 Per Meter	$15-$25 Per Meter	2.5 To 4.5 Years

MGG has labeled some properties as "held for sale." These properties are primarily small retail or residential properties. MGG has chosen to sell these properties as the revenues derived from them are insufficient to offset the costs and time needed to manage them. During the third quarter of2012, seven of these properties were sold and 6 properties remain as held for sale.

Insurance

The Company's insurance subsidiary received its insurance license on June 2, 2011 and began to aggressively target customers in October 2011. To date, it has focused its operations on both the retail and corporate market. The focus at Mandal is to underwrite conservatively so that all stakeholders are confident that insureds will be compensated on all legitimate claims. Through the use of reinsurance, Mandal attempts to ensure that it can cover losses due to high severity and rare catastrophic events.

The Company's expectation is that the insurance company will incur operating losses for at least the next year. Anticipated losses will likely be caused by the sizable costs of marketing and growing the business, against insufficient earned premium revenue. Some of these losses will be offset by the insurance company's investment portfolio. It is expected that the investment portfolio will grow as the company increases sales and associated reserves, which generate investible float. Due to Mongolia's high interest rate environment, float is incredibly valuable.

On September 15, 2011, Mandal partnered with Mongol Post, the postal service of Mongolia, to distribute insurance products within Ulaanbaatar. Mandal has begun training and licensing postal representatives with the intention to roll out insurance sales through this channel during 2012. Mandal hopes to use this relationship to eventually sell insurance products across all of Mongolia.

On November 6, 2011, the government of Mongolia passed a law making auto liability insurance mandatory. This law came into effect on January 1, 2012.

On April 5th 2012, Mandal sold a sizable bankers blanket bond to Khan Bank, the largest bank in Mongolia based on branch count. This transaction was 100% reinsured by syndicates of the Society of Lloyd's. Mandal's strategy is to greatly expand its commercial fronting business over the coming year.

On April 18, 2012, Mandal received a special permit to write auto liability coverages and is actively marketing these products to the consumer segment of the market. At the end of October,, Mandal had sold a total of 5276mandatory liability insurance policies. Management expects that after an initial drive to acquire customers, the growth of this business will subside in 2013, followed by annual increases in premiums due to substantial future increases in the total sum insured.

On May 16, 2012, MGG announced that it signed a binding term sheet agreeing to sell shares of Mandal General Insurance to UMC Capital, the operators of Mandal, at a purchase price equivalent to MGG's original funding cost in June of 2011. Following the closing of this transaction, MGG and UMC Capital will respectively own approximately 84% and 16% of Mandal's outstanding shares. In addition, UMC Capital will retain the right to purchase an additional 25% of Mandal at the higher of stated book value or funding cost. At the end of Q3 2012, this transaction has not been closed.

On August 20, Mandal signed an agreement with Khan Bank to distribute insurance products through its network of over 500 branches throughout Mongolia. Management expects that the roll-out of these products will begin in 2012 and grow substantially through 2013.

Corporate

The corporate operations of MGG are primarily associated with managing its operating divisions, capital allocation, capital raising, investor communication, public company disclosure and compliance, internal audit and generally ensuring the smooth operations of the business of MGG as a public company.

By their nature, corporate operations are a cost center. Following a sizable increase in expenses during the first full year of operations, management expects that these expenses will moderate near current levels. It should be noted that expenses have remained elevated for longer than expected due to certain legal expenses that remain ongoing, but are expected to terminate in the near future.

Outlook

The Mongolian economy continues to be one of the best performing economies globally based on data from The National Statistics Office of Mongolia ("NSO") – September 2012 edition, with preliminary estimates of annualized nominal first quarter 2012 GDP growth of 23.5%. The Mongolian Consumer Price Index increased 13.4% during the first nine months of the year, and 15.1% between September 2011 and September 2012, based on data from the NSO. This growth is being funded by Foreign Direct Investment inflows to a number of sizable mining projects along with re-investment of earnings from existing projects. Outside of the mining sector, the consumer economy is growing at an impressive rate.

MGG has been a beneficiary of these trends in both its property and insurance operations. In its property operation, the property portfolio has continued to increase in value. This increase in market value is caused by higher market rents.

As Mongolians see a higher standard of living, they will want to protect their valuables. Additionally, corporations are beginning to understand the necessity of using insurance to avoid business volatility. These two trends have been important in seeing the Company's insurance subsidiary grow since inception in June of 2011.

It is widely anticipated that the Mongolian economy will remain strong through 2012, which should bode well for the Company.

It is anticipated that the Company will continue to seek ways to raise additional equity capital to further the development of its businesses. MGG is also exploring utilizing conservative levels of debt funding for its property investments however, there can be no certainty that capital can be borrowed at rates that are attractive to the company.

Economic Volatility and Uncertainty

The past economic volatility and uncertainty in Canada and around the world has contributed to dramatically restricted access to capital and reduced capital markets activity. The Company's management believes that the Company 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 would materially harm the Company.

Substantial risk and uncertainty exists due to the level of economic growth in Mongolia. According to the Bank of Mongolia, money supply (M2) increased 17.6% in the last 12 months ending September 30, 2012. Loans outstanding in the banking industry also increased substantially during the last 12 months, rising 35.7%, though this has slowed in recent months. Such changes in money supply and lending may be warranted due to the growth of the local economy. However, historical economic disequilibrium of such magnitude in other nations has frequently led to hyperinflation, unstable economic conditions, hardship and strife.

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 Company's operations.

Risks and Uncertainties

The Company, as part of its operations, carries financial instruments consisting of cash and cash equivalents, investments and marketable securities, accounts receivable, and trade and accrued payables. It is Management's opinion that the Company 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 and Turquoise Hill regarding the current tax and 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.

During the last nine months the Company has purchased apartment units in a knowingly condemned building with the intent that through control of the homeowner's association the Company can procure a lease on the land underlying the building. The process of exerting control over a homeowner's association in order to develop the underlying land-plot is an extensive legal process, is complicated, lacks precedent, and is a generally risky proposition. The total investment at cost in this apartment building at September 30th was $4,391,473. At November 26, 2012, the Company owned 48 of the 51 apartments in the building, but has yet to formally take control of the homeowner's association. After the end of the third quarter, the Company signed an agreement with one of the remaining apartment owners which would allow him to be a property owner in any newly completed building in exchange for committing to allow the Company to control his title for the purposes of redevelopment.

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. A comprehensive set of risk disclosures are included in the Company's most recently filed annual MD&A.

Outstanding Share Data

As at September 30, 2012, the Company had 34,143,352 common shares issued and outstanding. As at September 30, 2012, 11,372,500 of the Company's common shares, or approximately 33.4% of the issued and outstanding shares, were directly or indirectly controlled by the Company's directors and officers. As of September 30, 2012, the Company had 600,000 stock options outstanding with an exercise price of $1.64 per share (500,000 have an expiry date of March 9, 2021 and 100,000 have an expiry date of March 9, 2014). The Company also had 722,000 stock options outstanding with an exercise price of $4.20 per share, (at issuance, 825,000 had an expiry date of April 25th 2016 and 75,000 had an expiration date of April 25th 2014, of theses a total of 128,000 were forfeited during 2011 and 50,000 were forfeited during the quarter). In addition, the Company had 170,000 options outstanding with an expiry date of September 7, 2016 and an exercise price of $4.77 (175,000 options were issued initially, 5,000 were forfeited during the quarter). Furthermore, the Company had 150,000 options with an expiry date of December 2, 2016 and an exercise price of $4.25. Lastly, the Company had 190,000 5-year stock options to purchase shares of MGG at a price of $4.00 per share with an expiry of March 23, 2017.

At period-end, the Company had nil options that were exercisable (Q2 2011- 0)

Outstanding	**as at September 30, 2012**
Common shares	34,143,352
Options to buy common shares	1,832,000

Events Subsequent to Quarter End

Subsequent to quarter end, the Company sold 3 investment properties with a fair value of approximately $142,000 for cash proceeds of approximately $155,000.

On November 5, 2012, Mandal was recognized by the Business Council of Mongolia as the "Local Company of the Year. This demonstrated a great leap of attitude among the business community toward insurance and risk management professionals.

Additional Information

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

APPENDIX "G"

MONGOLIA GROWTH GROUP LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2010

MONGOLIA GROWTH GROUP LTD.

(formerly SUMMUS CAPITAL CORP.)

Management Discussion & Analysis

December 31, 2010

MONGOLIA GROWTH GROUP LTD.

Management Discussion & Analysis

December 31, 2010

The management of Mongolia Growth Group Ltd. (formerly Summus Capital Corp, or "MGG" or "the Company") is pleased to present the Company's management discussion and analysis for the year ended December 31, 2010 (the "MD&A"). The financial data presented has been prepared in accordance with Canadian generally accepted accounting principles. The reporting and measurement currency in the financial statements and in this discussion and analysis is the Canadian dollar.

This MD&A is dated May 2, 2011 and incorporates all relevant information and considerations to that date.

The following discussion and analysis should be read in conjunction with the audited financial statements of the Company for the year ended December 31, 2010 and December 31, 2009 together with all of the notes, risk factors and information contained therein.

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 Company's management may make estimates and have opinions that form the basis for the forward-looking statements. The Company assumes no obligation to update such statements if circumstances, management's estimates or opinions change.

Overall Performance

MGG was incorporated in Alberta on December 17, 2007. The Company's principal business is the identification and evaluation of assets, properties or businesses with a view to participation therein.

Risks and Uncertainties

As of December 31, 2010, the Company had no business or assets other than cash and minor administrative costs. The Company does not have a history of earnings, nor has it paid any dividends since it was incorporated. MGG's assets are limited to its working capital.

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

Non-Generally Accepted Accounting Measures

The Company refers to "Funds used in operations" within this analysis. This is computed by calculating the cash flow from operations before changes to non-cash working capital from operations.

Selected Financial Information

	December 31 2010	December 31 2009
Liquidity		
Cash	138,201	382,776
Non -cash working capital	8,969	(3,170)
Total Working capital	147,170	379,606
Long-term debt	-	-
Net liquidity	147,170	379,606
Total assets	156,847	405,091
Number of shares outstanding at end of period	2,964,300	3,514,300

	Year Ended Dec 31,2010	Year Ended Dec 31,2009
Total revenue	1,385	2,533
Funds used in operations	(247,846)	(49,445)
Net loss	(247,846)	(49,445)
Net loss per share	(0.10)	(0.01)
Basic and diluted weighted average number of shares during period	3,407,314	3,514,300

Selected Quarterly Financial Information	Q4'10	Q3'10	Q2'10	Q1'10	Q4'09	Q3'09	Q2'09	Q1'09
Total revenue	$456	$439	$262	$228	$261	$269	$487	$1,516
Net Income (loss)	28,811	(259,734)	(10,731)	(6,192)	(25,509)	(13,590)	(6,094)	(4,252)
Loss per diluted share	0.01	(0.07)	0.00	0.00	(0.01)	0.00	0.00	$0
Total assets	$156,847	$303,628	$403,956	$404,764	$405,091	$434,425	$441,004	$458,567
Weighted average shares	3,407,314	3,514,300	3,514,300	3,514,300	3,514,300	3,514,300	3,514,300	$3,514,300
Ending shares	2,964,300	3,514,300	3,514,300	3,514,300	3,514,300	3,514,300	3,514,300	$3,514,300

Results of Operations

As of December 31, 2010, MGG's operations consisted of a cash account along with activities consistent with pursuing a transaction. For the year ended December 31, 2010, the Company had net losses of $247,846. These net losses primarily relate to financing charges that were expenses due to the termination of the Company's share purchase agreement of ReNVision Biofuels Inc.

Outstanding Share Data

As at December 31, 2010, the Company had 2,964,300 common shares issued and outstanding. As at December 31, 2009, 666,000 of the Company's common shares, or approximately 22.5% of the issued and outstanding shares, were directly or indirectly controlled by the Company's directors and officers.

As at December 31, 2010 , the Company has 296,430 stock options outstanding, all with an exercise price of $0.20 per share and an expiry date of October 9, 2013.

In addition, upon completion of the Company's initial public offering, the Company granted 241,430 non-transferable agent's options. These agent's options permitted the holder to purchase a common share at a price of $0.20 per share for each option exercised and expired during the year ended December 31, 2010.

Qualifying Transaction

On December 23, 2009, Summus Capital Corp. (now Mongolia Growth Group Ltd.) entered into a definitive agreement to acquire all of the issued and outstanding shares of ReNvision Biofuels Inc. The acquisition was conditional on certain financing and other conditions and was cancelled during the year ended December 31, 2010.

Liquidity

As at December 31, 2010, MGG had working capital of $147,170, comprised of cash, accounts receivable and prepaid expenses, net of accounts payable and accrued liabilities. Management considers the funds on hand to be sufficient to meet its ongoing obligations.

Related Party Transactions

There were no related party transactions during the year ended December 31, 2010.

Critical Accounting Estimates

The Company estimated its obligations for costs incurred but not represented by invoices during the year. At December 31, 2010, accrued liabilities accounted for $6,000 of the accounts payable and accrued liabilities.

Financial Instruments

The Company's financial instruments consist of cash, accounts receivable and accounts payable and accrued liabilities. The Company is subject to interest risk as it earns interest income from its cash deposits. It is management's opinion that the Company is not exposed to significant currency or credit risks arising from these financial instruments and that the fair value of these financial instruments approximates their carrying values. For further discussion of financial instrument risks, see Financial Risk Management.

Changes in Accounting Policies

International Financial Reporting Standards ("IFRS")

In 2006, AcSB published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on orafter January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

The Company has taken initiatives to transition from Canadian GAAP to IFRS. These initiatives include the hiring of an IFRS experienced accounting professional that was formerly in a managerial role at a large international accounting firm. MGG will also be consulting with external sources to aid in the transition. All accounts of MGG will be thoroughly examined to ensure IFRS compliance. Management and the board of directors will also be trained on any pertinent issues related to the transition to and the ongoing requirements of IFRS.

Capital Risk Management

MGG defines capital as the Company's shareholders' equity and working capital. The Company's objectives when managing capital is to safeguard its accumulated capital by maintaining a sufficient level of funds to complete the Company's objective of the identification and evaluation of assets, properties or businesses.

Off-Balance Sheet Items

As at December 31, 2010, the Company has no off-balance sheet items.

Financial Risk Management

The Company's risk exposures are as follows:

Credit Risk

The Company is exposed to minor credit risk through its holding of accounts receivable. As the Company's accounts receivable is dominated by receivables from the government of Canada, it is management's opinion that the risk of loss related to accounts receivable held is remote.

Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient cash on hand to meet liabilities when due. The Company has sufficient cash to settle current liabilities.

Market Risk

The Company does not carry any interest-bearing debt and as such is not exposed to interest rate risk related to its expenses. The Company is exposed to interest rate risk related to the interest income earned for its cash deposits. The Company does not carry any foreign-denominated currency. As such, it is not exposed to foreign currency risk. The Company is not exposed to price risk.

Internal Controls over Financial Reporting

Recent changes in securities laws no longer require the CEO and CFO of TSX Venture Exchange-listed companies 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 Canadian generally accepted accounting principles. Instead, an optional form of certification has been made available to TSX Venture Exchange-listed companies and has been used by the Company's certifying officers for the December 31, 2010 annual filings. The new certification reflects what the Company considers to be a more appropriate level of CEO and CFO certification given the size and nature of the Company's operations. This certification requires the certifying officers to state that:

(i) they have reviewed the annual MD&A and financial statements;

(ii) 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 annual MD&A and financial statements;

(iii) based on their knowledge, the annual filings, together with the other financial information included in the annual filings, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of the date and for the periods presented in the filings.

Fourth Quarter 2010 Overview

In the fourth quarter of 2010 the Company reviewed further transaction opportunities. Management of the Corporation began negotiations and entered a contractual agreement with two arm's length investors relating to the transaction which is outlined later in this report.

Economic Volatility and Uncertainty

The past economic volatility and uncertainty in Canada and around the world has contributed to dramatically restricted access to capital and reduced capital markets activity. The Company's management believes that the Company has sufficient resources to complete the Company's objective of the identification and evaluation of assets, properties or businesses with a view to completing a transaction.

Depending on the transaction selected, 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 for the completion of a transaction.

International Financial Reporting Standards Conversion Plan

The conversion to international financial reporting standards ("IFRS"), effective January 1, 2011, is an adoption of multiple accounting standards that differ significantly from Canadian generally accepted accounting principles ("GAAP"). The scope of the conversion to IFRS extends beyond accounting policies as it requires addressing changes to information systems, internal controls over financial reporting and disclosure controls and procedures and related business issues, such as contract terms that use accounting information for compliance. The Company's plan for conversion includes establishing an internal committee, identification of differences between GAAP and IFRS accounting policies, selection of IFRS policies, identification of IFRS disclosure requirements, development of financial statement formats, assessment of the impact of IFRS on tax and regulatory reporting. In conjunction with the above, the plan includes selection of a new chart of accounts, identification and development of IFRS expertise within the Company's staff and at the board of directors, mapping of accounting categories from GAAP to IFRS, the documentation of IFRS processes and the identification of methods of reconciling between GAAP and IFRS for 2011.

Events Subsequent to Year End

Subsequent to the year end, the Corporation advanced many transformational initiatives.

Following the Corporation's shareholder meeting on January 17 2011, two arm's length investors purchased shares in the company from the founding officers and board of directors. MGG concurrently delisted from the TSXV, listed on the CNSX, changed its name to Mongolia Growth Group Ltd. and performed a 1:2 reverse split. A new slate of directors was also nominated to the Board.

On February 4, 2011 MGG closed a financing which raised gross proceeds of $4,611,252 from the sale of 12,685,420 common shares in the company to outside investors, the new officers, and the new directors.

On April 8, 2011 MGG closed a financing which raised gross proceeds of $14,860,458 from the sale of 11,257,923 common shares in the company to outside investors, the new officers, and the new directors.

The Company has transitioned into a Mongolian focused conglomerate, after founding a group of real estate ownership and management companies and a company that is preparing to operate in the local property and casualty insurance business. The Company is also examining investment opportunities in Mongolia on an ongoing basis, none of which have reached a late state discussion at this time.

Initial investments will comprise of purchases of various investment properties in the country. Management believes that properties purchased on desirable streets and avenues will yield attractive returns on a cash-flow basis and due to both expected increasing rents and a decline in the local cost of capital, the properties should appreciate significantly in the future. All real property acquisitions to date have been funded through working capital; it is not the intent of the management to seek funding via credit at this time.

The Corporation has also announced its intent to enter the Mongolian Property and Casualty Insurance Market. Management believes that the insurance business in Mongolia will directly benefit from both the increasing wealth of the citizenry and the impact of increased capital expenditures in mining and mining related businesses on the value of insurable assets in the country. Management also believes that the expansion of foreign owned firms within Mongolia will lead to both more insured assets, as well as a need to insure assets due to the proliferation of debt financing. Management also has vast experience in investing capital, a valuable asset if paired with a profitable underwriting operation.

MGG formed a subsidiary ("InsureCo") during Q2 of 2011, which is staffed and managed by UMC Group. This subsidiary is in advanced discussions with the Mongolian Financial Regulatory Commission ("FRC"), the insurance regulator in Mongolia, and hopes to be instating insurance policies in Q2 or Q3 of 2011. It is management's expectation that InsureCo will be best capitalized and managed insurance underwriter in Mongolia. Both MGG and UMC Group management believe that the ability of MGG to overcapitalize InsureCo, compounded with the unique integrity, intelligence, and energy of the employees at InsureCo, and the relationships MGG shareholders and directors have in the international mining and mining services businesses should create formidable and sustainable competitive advantages for InsureCo.

Options were issued to MGG's Mongolian partners, employees and consultants in both the insurance business and the real property business subsequent to the year end. Various MGG partners, employees and consultants that were issued options have also purchased shares in past capitalizations.

Outlook

The Company expects to grow its property businesses in the near future. Management has examined large properties in highly desirable neighbourhoods of Ulaanbaatar that it expects to acquire if terms can be reached that are mutually agreeable.

The Company expects to receive an insurance license from FRC in the not too distant future and begin underwriting insurance policies during either 2011. Although management believes the insurance business is highly desirable and will be profitable in the future, management does not expect to achieve substantial underwriting volumes or profits in 2011, if any at all.

MGG and UMC Group have discussed the formation of a new life insurance company to be funded my MGG and managed by UMC. The Company expects to initiate the formation of the life insurance company in late 2011.

The Company has also begun discussions with many Mongolian companies and entrepreneurs that require both capital and certain skill sets MGG can provide to make their business more successful. None of these discussions have advanced to a stage that would warrant detailed discussion at this time. Management believes that by the end of 2011, the Company will be involved in other businesses that may be either symbiotic or unrelated to the Company's existing operation. Decisions to initiate or acquire businesses are based on profitability expectations of management. The Company will only enter or acquire businesses that exhibit highly attractive return characteristics based on internally generated return on invested capital calculations.

Dated

This management discussion and analysis is dated May 2, 2011.

APPENDIX "H"

MONGOLIA GROWTH GROUP LTD.

MATERIAL CHANGE REPORT

DATED MAY 30, 2012

Form 51-102F3

Material Change Report

Material change report under section 7.1(2) or (3) of National instrument Regulation: 51-102

ITEM 1 REPORTING ISSUER

Mongolia Growth Group Ltd. (the « Company »)
1400 700 - 2nd Street SW
Calgary Alberta
T2P 4V5

ITEM 2 DATE OF MATERIAL CHANGE

May 30, 2012

ITEM 3 PRESS RELEASE

A press release reporting the material change was issued by the Company on May 30, 2012 through Financial Services Canada Inc.

ITEM 4 SUMMARY OF MATERIAL CHANGE

Mongolia Growth Group Ltd. ("MGG" or "the Company") is pleased to announce a non-brokered "commercially reasonable efforts" private placement offering ("Offering") of common shares ("Common Shares") to raise gross proceeds of up to CDN$ 5 million. The Common Shares will be priced at CDN$ 3.90.

ITEM 5 FULL DESCRIPTION OF MATERIAL CHANGE

Mongolia Growth Group Ltd. ("MGG" or "the Company") is pleased to announce a non-brokered "commercially reasonable efforts" private placement offering ("Offering") of common shares ("Common Shares") to raise gross proceeds of up to CDN$ 5 million. The Common Shares will be priced at CDN$ 3.90.

The Company intends to use the proceeds to purchase leasable real estate, to take advantage of investment opportunities and for general corporate purposes. The Offering is scheduled to close on or about June 22, 2012 (the "Closing Date"), and is subject to certain conditions, including but not limited to, receipt of all necessary approvals including the approval of the CNSX Exchange and the securities regulatory authorities.

The Common Shares issued in connection with this Offering will be subject to a four-month hold period from the Closing Date, as prescribed by the CNSX exchange and applicable securities laws.

ITEM 6 RELIANCE ON SUBSECTION 7.1 (2) or (3) OF NATIONAL INSTRUMENT 51-102

Not applicable.

ITEM 7 OMITTED INFORMATION

No information has been omitted.

ITEM 8 EXECUTIVE OFFICER

Jordan Calonego, CFA
Chief Operating Officer

ITEM 9 DATE OF REPORT

DATED in the Province of Ontario, this 30th day of May, 2012.

By:(signed) "Jordan Calonego"
COO

Mongolia Growth Group Ltd. Announces Private Placement Offering

Calgary, Alberta CANADA, May 30, 2012 /FSC/ - Mongolia Growth Group Ltd. (YAK - CNSX)

Not for distribution to U.S. newswire services or for dissemination in the United States.

Mongolia Growth Group Ltd. ("MGG" or "the Company") is pleased to announce a non-brokered "commercially reasonable efforts" private placement offering ("Offering") of common shares ("Common Shares") to raise gross proceeds of up to CDN$ 5 million. The Common Shares will be priced at CDN$ 3.90.

The Company intends to use the proceeds to purchase leasable real estate, to take advantage of investment opportunities and for general corporate purposes. The Offering is scheduled to close on or about June 22, 2012 (the "Closing Date"), and is subject to certain conditions, including but not limited to, receipt of all necessary approvals including the approval of the CNSX Exchange and the securities regulatory authorities.

The Common Shares issued in connection with this Offering will be subject to a four-month hold period from the Closing Date, as prescribed by the CNSX exchange and applicable securities laws.

For further information, please visit the Company's website at

www.mongoliagrowthgroup.com

Or contact:
Genevieve Walkden, VP Corporate Development
Gwalkden@mongoliagrowthgroup.com
1 (807) 621-0711
1 (807) 346-8688

Forward-looking Information and Statements

Except for statements of historic fact, this news release contains certain forward-looking information within the meaning of applicable securities law. Forward-looking information is frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate" and other similar words, or statements that certain events or conditions "may" or "will" occur. Forward-looking statements are based on the opinions and estimates of management relying on their experience at the date the statements are made, and are subject to a variety of risks, uncertainties and other factors that could cause actual events or results to differ materially from those anticipated in the forward-looking statements including, but not limited to: delays or uncertainties with regulatory approvals, including that of the CNSX or the Mongolian regulator(s); changes in the business environment that might impact the intended use of proceeds from the Transaction; the future state of the Mongolian economy; Mandal's future business prospects; the outlook of the insurance industry in Mongolia as a whole; the ability of increased equity ownership to affect the motivation of key employees of UMC Capital; the ability to identify transactions which would allow management of Mandal the opportunity to have increased discretion in managing the business; and the closing of the Transaction in general and pursuant to the time line outlined in this press release. There are uncertainties inherent in forward-looking information, including factors beyond MGG's control. The forward-looking information and statements contained in this press release speak only as of the date of this press release and MGG undertakes no obligation to publicly update or revise forward-looking information if circumstances or management's estimates or opinions should change except as required by applicable law. The reader is cautioned not to place undue reliance on forward-looking statements. Additional information identifying risks and uncertainties that could affect financial results is contained in MGG's filings with Canadian securities regulators, which filings are available at www.sedar.com.

THE CNSX HAS NOT REVIEWED AND DOES NOT ACCEPT RESPONSIBILITY FOR THE ADEQUACY OR ACCURACY OF THIS RELEASE.

APPENDIX "I"

MONGOLIA GROWTH GROUP LTD.

MATERIAL CHANGE REPORT

DATED MAY 22, 2012

Form 51-102F3

Material Change Report

Material change report under section 7.1(2) or (3) of National instrument Regulation: 51-102

ITEM 1 REPORTING ISSUER

Mongolia Growth Group Ltd. (the « Company »)
1400 700 - 2nd Street SW
Calgary Alberta
T2P 4V5

ITEM 2 DATE OF MATERIAL CHANGE

May 16, 2012

ITEM 3 PRESS RELEASE

A press release reporting the material change was issued by the Company on May 16, 2012 through Financial Services Canada Inc.

ITEM 4 SUMMARY OF MATERIAL CHANGE

MGG is pleased to announce that it has agreed to and signed a binding term sheet agreeing to sell shares of Mandal General Insurance (MGI) to UMC Capital, the operators of MGI, at a purchase price equivalent to MGG's original funding cost in June of 2011. Following the closing of this transaction, UMC Capital and MGG will respectively own approximately 16% and 84% of Mandal's currently outstanding shares. In addition, UMC Capital will retain the right to purchase an additional 25% of Mandal at the higher of stated book value or funding cost. The transaction is subject to regulatory approvals in Mongolia.

ITEM 5 FULL DESCRIPTION OF MATERIAL CHANGE

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of Mandal at the higher of stated book value or funding cost. The transaction is subject to regulatory approvals in Mongolia.

"Insurance is a business predicated on shifting risks from insureds to insurance companies that are more capable of assuming those risks. Our partner's decision to invest their capital into Mandal displays their commitment to shoulder some of these risks with us," said Jordan Calonego, COO of MGG. "It's one thing to have a carried interest in the future profits of a company; it's a very different experience to actually put your own capital at risk. We welcome UMC Capital's decision to co-invest with us. "

"We are very proud of our achievements to date at Mandal. In less than a year of operations, we have achieved tremendous successes and look forward to a bright future in the insurance business," said Ganzorig Ulziibayar, Chairman of UMC Capital. "We are thankful that MGG has allowed us to increase our ownership interest in Mandal and feel that this will allow us to further motivate our key employees in the future."

"Following this transaction, insurance will represent approximately 7% of MGG's stated book value," noted Harris Kupperman, CEO of MGG. "While we are very confident in the future of Mandal and the insurance industry in Mongolia, given the rapid growth of our property business, we are increasingly recognizing that insurance has become less critical to the overall future of MGG itself. We are exploring various transactions that would allow Mandal management to have increased discretion in managing the business, the ability to direct future strategy and access to additional growth capital; while simultaneously allowing MGG to maintain a sizable ownership interest in the future success of Mandal."

The purchase of Mandal shares by UMC Capital will be completed in stages. 5% of the shares of Mandal will be purchased within 15 days of signing a definitive purchase agreement and the remainder will be purchased over the following 6 months, for total cash consideration of less than one million Canadian dollars. In addition, 200,000 of UMC Capital's 10 year MGG share purchase options will vest immediately. In exchange for accelerating the vesting of these options, the new strike price will be CDN $1.90 compared to the original strike price of CDN$ 1.64 (a 16% increase). MGG applied for an exemption to the stock option policies of the CNSX in order to adjust the vestation and exercise price of the options. The exemption was approved by the CNSX.

ITEM 6 RELIANCE ON SUBSECTION 7.1 (2) or (3) OF NATIONAL INSTRUMENT 51-102

Not applicable.

ITEM 7 OMITTED INFORMATION

No information has been omitted.

ITEM 8 EXECUTIVE OFFICER

Harris Kupperman, Chairman and CEO

ITEM 9 DATE OF REPORT

DATED in the Province of Ontario, this 22nd day of May, 2012.

By:(signed) "Jordan Calonego"
COO

Mongolia Growth Group Ltd. Agrees to Sell Shares of Mandal General Insurance to UMC Capital

Ulaanbaatar, MONGOLIA, May 16, 2012 /FSC/ - Mongolia Growth Group Ltd. (YAK - CNSX)

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"Insurance is a business predicated on shifting risks from insureds to insurance companies that are more capable of assuming those risks. Our partner's decision to invest their capital into Mandal displays their commitment to shoulder some of these risks with us," said Jordan Calonego, COO of MGG. "It's one thing to have a carried interest in the future profits of a company; it's a very different experience to actually put your own capital at risk. We welcome UMC Capital's decision to co-invest with us. "

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For further details on the foregoing document, please refer to the Corporation's filing on SEDAR.

For more information on Mongolia Growth Group Ltd., please see the Company's website:
www.MongoliaGrowthGroup.com

Or contact:

Genevieve Walkden
Gwalkden@MongoliaGrowthGroup.com

Forward-looking Information Cautionary Statement

Except for statements of historic fact, this news release contains certain forward-looking information within the meaning of applicable securities law. Forward-looking information is frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate" and other similar words, or statements that certain events or conditions "may" or "will" occur. Forward-looking statements are based on the opinions and estimates of management relying on their experience at the date the statements are made, and are subject to a variety of risks, uncertainties and other factors that could cause actual events or results to differ materially from those anticipated in the forward-looking statements including, but not limited to delays or uncertainties with regulatory approvals, including that of the CNSX, changes in the business environment that might impact the intended use of proceeds and changes in the intention of the parties to subscribe to the private placement. There are uncertainties inherent in forward-looking information, including factors beyond MGG's control. MGG undertakes no obligation to update forward-looking information if circumstances or management's estimates or opinions should change except as required by law. The reader is cautioned not to place undue reliance on forward-looking statements. Additional information identifying risks and uncertainties that could affect financial results is contained in MGG's filings with Canadian securities regulators, which filings are available at www.sedar.com. The CNSX has not reviewed and does not accept responsibility for the adequacy or accuracy of this release.