Mongolia Growth Group Ltd.

Consolidated Financial Statements

December 31, 2019

(Expressed in Canadian dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Mongolia Growth Group Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Mongolia Growth Group Ltd. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018 and the consolidated statements of operations, comprehensive income (loss), changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Erez Bahar.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Professional Accountants

April 7, 2020

Mongolia Growth Group Ltd.

Consolidated Statements of Financial Position

As at December 31

(Expressed in Canadian dollars)

	2019 $	2018 $
Assets		
Current assets		
Cash (note 5)	737,255	745,411
Marketable securities owned (note 6)	3,689,304	3,946,202
Other assets (note 7)	1,383,027	117,556
	5,809,586	4,809,169
Non-current assets		
Investment properties (note 8)	18,831,985	24,415,860
Property and equipment (note 9)	1,435,650	1,792,794
	20,267,635	26,208,654
Total assets	**26,077,221**	**31,017,823**
Liabilities		
Current liabilities		
Trade payables and accrued liabilities (note 10)	767,732	542,913
Marketable securities sold short (note 6)	23,340	-
Income taxes payable	34,434	9,210
Short term debt (note 11)	-	680,902
	825,506	**1,233,025**
Non-current liabilities		
Deferred income tax liability (note 12)	581,887	737,493
Total liabilities	**1,407,393**	**1,970,518**
Equity		
Share capital (note 13)	53,504,935	53,625,230
Contributed surplus	6,849,976	6,849,976
Accumulated other comprehensive loss	(14,233,385)	(13,226,649)
Deficit	(21,451,698)	(18,201,252)
Total equity	**24,669,828**	**29,047,305**
Total equity and liabilities	**26,077,221**	**31,017,823**

Commitment and contingencies (note 17)

Subsequent events (note 22)

Approved by the Board of Directors

" *Robert Scott* " Director " *Harris Kupperman* " Director

Mongolia Growth Group Ltd.

Consolidated Statements of Operations

For the years ended December 31

(Expressed in Canadian dollars)

	2019 $	2018 $
Revenue		
Rental income	1,287,353	1,384,840
Gain (loss) on disposal of investment property (note 8)	(302,959)	38,592
Other revenue	156,436	48,217
Total revenue	**1,140,830**	**1,471,649**
Expenses		
Salaries and wages	693,852	543,888
Other expenses (note 20)	1,585,145	1,265,284
Depreciation (note 9)	73,294	77,361
Total operating expenses	**(2,352,291)**	**(1,886,533)**
Interest income	5,617	21,847
Unrealized gain (loss) on fair value adjustment on Investment properties (note 8)	(1,347,662)	1,892,577
Impairment of property and equipment (note 9)	(158,655)	-
Reversal of impairment loss of property and equipment (note 9)	-	198,520
Unrealized gain (loss) on marketable securities (note 6)	454,824	(608,297)
Realized gain (loss) on marketable securities (note 6)	(358,826)	995,716
Foreign currency gain (loss)	208,195	(185,790)
Finance costs	(82,822)	(84,620)
Reclassification of accumulated other comprehensive income on disposal of subsidiary (note 21)	(824,864)	-
Total other income (expenses)	**(2,104,193)**	**2,229,953**
Net income (loss) before income taxes	**(3,315,654)**	**1,815,069**
Income taxes (note 12)	65,208	(257,726)
Net income (loss) for the year	**(3,250,446)**	**1,557,343**
Net income (loss) per share (note 13)		
Basic		
From net income (loss) for the year	(0.10)	0.05
Diluted		
From net income (loss) for the year	(0.10)	0.05

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

(Expressed in Canadian dollars)

	2019 $	2018 $
Net income (loss) for the year	(3,250,446)	1,557,343
Other comprehensive loss		
Items that may be subsequently reclassified to income or loss		
Unrealized losses on translation of financial statement operations with Mongolian Tögrög functional currency to Canadian dollar reporting currency	(1,831,600)	(140,375)
Items subsequently reclassified to income or loss		
Reclassification of accumulated other comprehensive income on disposal of subsidiary (note 21)	824,864	-
Total comprehensive income (loss)	**(4,257,182)**	**1,416,968**

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

(Expressed in Canadian dollars)

	Share capital $	Contributed surplus $	Accumulated other comprehensive loss $	Deficit $	Total $
Balance at January 1, 2018	53,751,473	6,849,976	(13,086,274)	(19,758,595)	27,756,580
Net income for the year	-	-	-	1,557,343	1,557,343
Other comprehensive loss	-	-	(140,345)	-	(140,375)
	53,751,473	6,849,976	(13,226,649)	(18,201,252)	29,173,548
Share repurchase	(126,243)	-	-	-	(126,243)
Balance at December 31, 2018	53,625,230	6,849,976	(13,226,649)	(18,201,252)	29,047,305

	Share capital $	Contributed surplus $	Accumulated other comprehensive loss $	Deficit $	Total $
Balance at January 1, 2019	53,625,230	6,849,976	(13,226,649)	(18,201,252)	29,047,305
Net loss for the year	-	-	-	(3,250,446)	(3,250,446)
Reclassification (note 21)	-	-	824,864	-	824,864
Other comprehensive loss	-	-	(1,831,600)	-	(1,831,600)
	53,625,230	6,849,976	(14,233,385)	(21,451,698)	24,790,123
Share repurchase	(120,295)	-	-	-	(120,295)
Balance at December 31, 2019	53,504,935	6,849,976	(14,233,385)	(21,451,698)	24,669,828

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

Mongolia Growth Group Ltd.

Consolidated Statements of Cash Flow

As at December 31, 2019

	2019 $	2018 $
Cash provided by (used in)		
Operating activities		
Net income (loss) for the year	(3,250,446)	1,557,343
Items not affecting cash		
Depreciation (note 9)	73,294	77,361
Deferred taxes	(155,606)	235,067
Allowance for doubtful tax receivables (note 7)	(13,806)	(35,642)
Realized loss on disposal of property and equipment	-	511
Realized (gain) loss on disposal of investment properties (note 8)	302,959	(38,592)
Impairment of property and equipment (note 9)	158,655	-
Reversal of impairment loss of property and equipment (note 9)	-	(198,520)
Unrealized (gain) loss on marketable securities (note 6)	(454,824)	608,297
Realized (gain) loss on marketable securities (note 6)	358,826	(995,716)
Unrealized (gain) loss on fair value adjustment on investment properties (note 8)	1,347,662	(1,892,577)
Reclassification of accumulated other comprehensive income on disposal of subsidiary (note 21)	824,864	-
	(808,422)	**(682,468)**
Net change in non-cash working capital balances (note 18)	305,586	70,724
	(502,836)	**(611,744)**
Financing activities		
Share repurchase (note 13)	(120,295)	(126,243)
Loan payment (note 11)	(680,902)	-
	(801,197)	**(126,243)**
Investing activities		
Net sales (purchases) of marketable securities (note 6)	604,998	(889,494)
Net disposal (acquisition) of property and equipment	(1,540)	(21,978)
Net disposal of investment properties, net of taxes (note 8)	884,369	547,955
	1,487,827	**(363,517)**
	183,794	**(1,101,504)**
Effect of exchange rates on cash	(191,950)	206,144
Increase (decrease) in cash	(8,156)	(895,360)
Cash – Beginning of year	745,411	1,640,771
Cash – End of year	**737,255**	**745,411**

*Supplementary cash flow information (note 18)

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

1 Corporate information

Mongolia Growth Group Ltd. (MGG or the Company) was incorporated in Alberta on December 17, 2007, and is a real estate investment and development Company operating through the ownership of commercial investment property assets in Ulaanbaatar, Mongolia.

The Company's common shares were previously listed on the Canadian Securities Exchange (CSE). On January 9, 2013, the Company filed an application for the de-listing of the common shares from the CSE and filed an application for the listing of common shares on the TSX Venture Exchange (TSXV). The Company is now listed on the TSXV, having the symbol YAK.

MGG has one wholly-owned subsidiary at December 31, 2019, Mongolia (Barbados) Corp. Mongolia (Barbados) Corp. owns the wholly-owned subsidiaries MGG Properties LLC and Big Sky Capital LLC. Big Sky Capital LLC owns the wholly-owned subsidiaries, Carrollton LLC, Biggie Industries LLC, Orpheus LLC, Zulu LLC, Crescent City LLC and Oceanus LLC (together "the investment property operations"). Endymion LLC, was disposed of during the year. The investment property operations are conducted in Big Sky Capital LLC and its subsidiaries. No active business operations occur in Oceanus LLC at this time. MGG's marketable securities are currently held in a brokerage account owned by Mongolia (Barbados) Corp.

At December 31, 2019 and 2018, the principal subsidiaries of the Company, their geographic locations, and the ownership interest held by the Company, were as follows:

		Ownership		
Name	Principal Activity	December 31, 2019	December 31, 2018	Location
Mongolia (Barbados) Corp.	Holding Company and Brokerage Account	100%	100%	Barbados
MGG Properties LLC	Holding Company and Real estate operations	100%	100%	Mongolia
Big Sky Capital LLC	Holding Company and Real estate operations	100%	100%	Mongolia
Carrollton LLC	Real estate operations	100%	100%	Mongolia
Biggie Industries LLC	Real estate operations	100%	100%	Mongolia
Endymion LLC	Real estate operations	-	100%	Mongolia
Orpheus LLC	Real estate operations	100%	100%	Mongolia
Zulu LLC	Real estate operations	100%	100%	Mongolia
Crescent City	Real estate operations	100%	100%	Mongolia
Oceanus	Real estate operations	100%	100%	Mongolia

The Company is registered in Alberta, Canada, with its Head Office at its registered and records address at Centennial Place, East Tower, 1900, 520 - 3rd Avenue S.W. Calgary, Alberta, Canada T2P 0R3. The Company's Canadian headquarters are located at 100 King Street West, Suite 5600, Toronto, Ontario, M5X 1C9, Canada. The Company's Mongolian investment property operations are based out of its office located at the MGG Properties Building on Seoul St. in Ulaanbaatar, Mongolia.

At December 31, 2019, the Company is organized into two segments based on the business operations:

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

2 Basis of presentation

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). The significant accounting policies used in the preparation of these consolidated financial statements are summarized in note 3.

These financial statements have been prepared on a going concern basis, meaning that the Company will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations.

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

These consolidated financial statements were approved by the Board of Directors of the Company for issue on April 7, 2020.

3 Significant accounting policies

a. Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, as modified by the revaluation of investment properties and marketable securities at fair value.

b. Basis of consolidation

These consolidated financial statements include the accounts of MGG and its wholly-owned subsidiaries. Subsidiaries are entities controlled by MGG. Control exists when MGG is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. 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. Upon the disposal of a subsidiary, amounts previously recognized in other comprehensive income in respect of that entity, are reclassified to profit and loss.

c. Financial instruments

Financial assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive.

c. Financial instruments (continued)

The classification determines the method by which the financial assets are carried on the balance sheet subsequent to inception and how changes in value are recorded. Cash and receivables are measured at amortized cost with subsequent impairments recognized in profit or loss and marketable securities are classified as FVTPL.

Impairment

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities

Financial liabilities are designated as either: (i) fair value through profit or loss; or (ii) other financial liabilities. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the balance sheet subsequent to inception and how changes in value are recorded. Trade payables and accrued liabilities, and short term debt are classified as other financial liabilities and carried on the balance sheet at amortized cost. Marketable securities sold short are carried FVTPL.

As at December 31, 2019, the Company does not have any derivative financial liabilities.

Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Marketable securities are classified as fair value through profit or loss. All financial instruments which are measured at their amortized cost approximate their fair value due to the short term nature of those instruments. 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: 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. Fair value is based on

c. Financial instruments (continued)

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. 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.

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 assets or liabilities for which the determination of estimated fair value requires significant management judgement or estimation.

The Company has determined the estimated fair values of its financial instruments based upon appropriate valuation methodologies.

The levels of the fair value inputs used in determining estimated fair value of the Company's financial assets at fair value through profit or loss as at December 31, 2019 and 2018, is shown below.

			Estimated fair values	
	December 31, 2019	Level 1	Level 2	Level 3
Marketable securities	$3,689,304	$ 3,689,304	-	-
Marketable securities sold short	**$23,340**	**$23,340**	-	-
	$ 3,712,644	**$ 3,712,644**	-	-

			Estimated fair values	
	December 31, 2018	Level 1	Level 2	Level 3
Marketable securities	$3,946,202	$3,946,202	-	-
	$3,946,202	**$3,946,202**	-	-

At December 31, 2019 and 2018 there were no financial assets or liabilities measured and recognized in the statement of financial position at fair value that would be categorized as level 2 and 3 in the fair value hierarchy above.

d. Investment properties

Investment properties include properties held to earn rental revenue, for capital appreciation, and/or for redevelopment. Investment properties are initially measured at fair which is most often 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 consolidated 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 the Company 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 generating properties and properties under development are investment properties.

Properties under development are measured at cost.

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.

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.

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 on the majority of investment properties 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. The remaining investment properties' fair value was calculated by Management and was performed by qualified individuals with recent experience in the locations and categories of the investment properties valued.

e. Assets held for sale

Non-current 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 properties measured under the fair value model and held for sale continue to be measured by the guidelines of IAS

e. Assets held for sale (continued)

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.

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

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

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

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

ii) Investment income

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

g. Cash

Cash includes cash held at banks or on hand and demand deposits.

h. 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.

h. Property and equipment (continued)

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

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 dispose 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.

i. 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 Other Comprehensive Income ("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

i. Income taxes (continued)

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.

j. 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. At reporting dates, monetary items are translated at the closing rate of exchange in effect at the consolidated statement of financial position date.

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 Mongolian Tögrög, 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, in accumulated other comprehensive income.

k. Comprehensive income

Comprehensive income consists of net income (loss) and OCI. OCI includes changes in unrealized gains (losses) on the translation of financial statement operations with Mongolian Tögrög functional currency.

l. 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

l. Share capital and deferred share issuance costs (continued)

will be charged against the related share issuance or charged to operations if the shares are not issued.

m. Earnings (loss) per share

For both continuing and discontinued operations, 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.

n. 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 now managed as two operating segments based on how information is produced internally for the purpose of making operating decisions. The segments are defined as investment property operations and corporate.

o. 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.

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.

p. 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.

p. Provisions and contingent liabilities (continued)

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.

q. Marketable Securities

The Company presents results from trading marketable securities on both a realized and unrealized basis separately in profit and loss. A realized gain or loss is recorded upon transfer of ownership of a marketable security, calculated as proceeds (net of broker fees) less its cost which is measured on a first-in-first-out ("FIFO") basis. Unrealized gains and losses are the fair value adjustments to positions still held at reporting dates. Any margin borrowings are offset to marketable securities because the Company has both the legal right and intention to settle these positions on a net basis with the related marketable securities.

r. Current Accounting Policy Changes

IFRS 16 Leases

The Company has adopted the following revised standards, along with any consequential amendments, effective January 1, 2019.

IFRS 16 replaces IAS 17 Leases and related interpretations. The core principle is that a lessee recognize assets and liabilities for all leases with a lease term of more than 12 months. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. The new standard is intended to provide a faithful representation of leasing transactions, in particular those that do not currently require the lessees to recognize an asset and liability arising from an operating lease. IFRS 16 is effective for annual periods beginning on January 1, 2019.

To prepare for this standard the Company reviewed its existing agreements to determine whether the accounting for any leases would be impacted from adopting IFRS 16. The Company is primarily party to agreements in which it is the lessor, for which the accounting has remained substantially unchanged. The agreements to which the Company is a lessee relate to Mongolian government land leases, however the lease payments are nominal and did not qualify for recognition. There was no impact on the Company's consolidated financial statements from the adoption of IFRS 16.

IFRIC 23 - Uncertainty over Income Tax Treatments

New standard to clarify the accounting for uncertainties in income taxes. The interpretation provides guidance and clarifies the application of the recognition and measurement criteria in IAS 12 "Income Taxes" when there is uncertainty over income tax treatments. The interpretation is effective for annual periods beginning on or after January 1, 2019. There was no impact on the Company's consolidated financial statements from the adoption of IFRIC 23.

4 Significant accounting estimates and judgements

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

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

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

- Fair value of investment properties - The estimate of fair value of investment properties is the most critical accounting estimate to the Company. An external appraiser estimates the fair value of the majority of investment properties by dollar value annually.

  The remaining balance of investment properties was valued internally. The fair value of investment properties is based on the nature, location and condition of the specific asset. The fair value of investment properties represents an estimate of the price that would be made in an arm's length transaction between knowledgeable, willing parties. This fair value assumes that the Company is in possession of the property's land and property titles where applicable. Management judges that the Company has the appropriate titles for each of the properties classified as Investment Properties. Properties whereby Management judges that the Company's titles are at risk, have been impaired to reflect the level of risk estimated by Management.

- The Company operates in the emerging real estate market of Mongolia, which given its current economic, political and industry conditions, gives rise to an increased inherent risk given the lack of reliable and comparable market information. The significant estimates underlying the fair value determination are disclosed in note 8. Changes in assumptions about these factors could materially affect the carrying value of investment properties.

- Valuation of marketable securities - The Company recognizes marketable securities at fair value. Fair value is determined on the basis of market prices from independent sources, if available. If there is no market price, then the fair value is determined by using valuation models with inputs derived from observable market data where possible but where observable data is not available, judgement is required to establish fair values.

- Operating environment of the Company - Mongolia displays many characteristics of an emerging market including relatively high inflation and interest rates. The tax and customs legislation in Mongolia is subject to varying interpretations and frequent changes.

- The future economic performance of Mongolia is tied to the continuing demand from China and global prices for commodities as well as being dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government of Mongolia together with tax, legal, regulatory and political developments. Management is unable to predict all developments that could have an impact on the Mongolian economy

4 Significant accounting estimates and judgements (continued)

and consequently what effect, if any, they could have on the future financial position of the Company.

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

- Judgement is required in determining whether an asset meets the criteria for classification as assets held for sale and or as discontinued operations in the consolidated financial statements. Criteria considered by management include the existence of and commitment to a plan to dispose of the assets, the expected selling price of the assets, the probability of the sale being completed within an expected time frame of one year and the period of time any amounts have been classified within assets held for sale. The Company reviews the criteria for assets held for sale each quarter and reclassifies such assets to or from this financial position category as appropriate. On completion of the sale, management exercises judgement as to whether the sale qualifies as a discontinued operation.

- As at December 31, 2019 and 2018, Management has made the judgment that none of the Company's assets meet the criteria to be classified as held for sale. While this is due to a number of factors, a primary reason is that due to the conditions of the Mongolian economy and the lack of liquidity in the market, management was unable to conclude that the sale of any significant size asset could be considered highly probable.

- Judgement is required in determining whether the Company's Investment property and land use rights titles are at risk. As at December 31, 2019 and 2018, Management has made the judgment that Investment Properties whereby the land title has recently expired but is expected to be renewed in the near future should continue to be classified as Investment Properties. Properties whereby Management judges that the Company's titles are at risk, have been impaired to reflect the level of risk estimated by Management.

5 Cash

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

The following table discloses the geographical location of cash:

	2019 $	2018 $
Barbados	1,475	1,483
Canada	33,018	458,787
Mongolia	702,762	285,141
Total cash	**737,255**	**745,411**

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

5 Cash (continued)

The credit quality of cash 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 was as follows:

	2019 $	2018 $
Cash on hand	2,154	2,139
A or A+ rated	31,600	423,087
B- or B+ rated	700,609	283,002
Unrated	2,892	37,183
Total cash	**737,255**	**745,411**

The unrated balance relates to one private bank in Barbados (2018 – one), one brokerage company in Canada (2018 – one) and one brokerage company in the United States (2018 – one).

6 Marketable Securities

	2019 $	2018 $
Common shares of public companies:		
Fair value - beginning of the year	3,946,202	2,816,624
Net purchases / (sales)	(238,417)	1,109,237
Securities sold short	23,340	-
Foreign exchange gain (loss)	228,761	(147,335)
Unrealized gain (loss)	454,824	(608,297)
Realized gain (loss)	(358,826)	995,716
Change in margin borrowings	(366,580)	(219,743)
Fair value - end of the year	**3,689,304**	**3,946,202**
Cash transferred out of brokerage account during the year	605,000	-

7 Other assets

	2019 $	2018 $
Accounts receivable	1,342,624	92,280
less: Allowance for doubtful accounts	-	(13,806)
Prepaid expenses	40,403	39,082
	1,383,027	**117,556**

The increase in accounts receivable is attributed to a $190,928 receivable to be paid in monthly instalments during the first 8 months of the year, one investment property to be transferred to the Company with a value of $143,196 for the sale of a property and proceeds of $954,640 for the sale of an additional property which was received subsequent to year end.

8 Investment properties

	2019 $	2018 $
Balance - beginning of year	24,415,860	22,887,521
Additions		
Acquisitions	48,213	-
Transfer from other asset	-	295,960
Disposals	(2,524,305)	(509,363)
Fair value adjustment	(1,347,662)	1,892,577
Foreign exchange adjustments	(1,760,121)	(150,835)
Balance – end of year	**18,831,985**	**24,415,860**

During the year ended December 31, 2019, the Company sold three investment properties for proceeds with a value of $2,221,346 resulting in a net loss of $302,959 on these transactions. One of these properties was disposed of through its interest in its Endymion LLC (note 21). The proceeds received consisted of $2,029,937 in cash, and $191,409 in investment properties, of which $1,145,568 and $143,196 respectively are classified within accounts receivable at December 31, 2019 (note 7).

In comparison, during the year ended December 31, 2018, three investment properties were sold for cash consideration of $547,955 resulting in net gain of $38,592 on these transactions.

Investment properties by major category are as follows:

	2019 $	2018 $
Office	1,033,875	2,103,862
Retail	12,307,380	14,160,720
Land and redevelopment sites	5,490,730	8,151,278
	18,831,985	**24,415,860**

Investment properties with an aggregate fair value of $13,213,176 (2018 - $14,087,466) were valued by an external independent valuation professional who is deemed to be a 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 remaining balance of investment properties were valued internally.

The Company determined the fair value of investment properties using the income approach and the sales comparison 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 current rent and reasonable and supportable assumptions that represent what knowledgeable, willing parties would assume about rental income from future rent in light of current conditions 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 this method, year one income is stabilized and capped at a rate deemed appropriate for each investment property.

8 Investment properties (continued)

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

The entire portfolio of investment properties has been valued using the income approach, the sales comparison approach or a combination thereof.

The Company currently has a standing agreement with the owner of a 42 sq. meter apartment which has been included in one of the Company's properties classified as land and redevelopment. The agreement entitles the owner of the apartment to 84 sq. meters of space on the first floor of a new building to be built on this land. In this agreement, the Company had an obligation to complete the construction of a new building by the end of fiscal 2017 and the agreement was not extended. A liability of $131,438 is currently included in the Company's trade payables and accrued liabilities (note 10) to reflect this liability. In addition, the Company has recognized an unrealized fair value loss of $1,436,256 (2018-$1,711,065) in excess of the fair value adjustment calculated using the valuation approaches described. This adjustment is Management's estimate of the markets perception of the risk related to this agreement, and is included within the unrealized gain (loss) on fair value adjustment on Investment properties within profit and loss.

Under the fair value hierarchy, the fair value of the Company's investment properties is considered a level three, as defined in note 3.

The key valuation assumptions for commercial investment properties are as follows:

			2019
	Maximum	**Minimum**	**Weighted-average**
Capitalization rate	11.25%	9.5%	9.6%

			2018
	Maximum	**Minimum**	**Weighted-average**
Capitalization rate	11.0%	9.5%	10.0%

The following sensitivity table outlines the impact of a 0.25% change in the weighted average capitalization rate on investment properties at December 31, 2019:

	Change to fair value if capitalization rate increased 0.25%	**Change to fair value if capitalization rate decreases 0.25%**
Commercial property	(59,733)	56,697

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

8 Investment properties (continued)

Investment properties of $4,308,769 (2018 - $nil) have no rental revenue associated with them at December 31, 2019.

Investment properties include land use rights held under operating leases with an aggregate fair value of $5,490,730 (2018 – $8,151,278) at December 31, 2019.

Certain investment properties held by the Company are leased out (the Company is the lessor) under operating leases. The future minimum lease payments under non-cancellable leases are as follows:

	2019 $	2018 $
Less than 1 year	772,222	1,242,141
Between 1 and 5 years	299,333	115,976
Beyond 5 years	-	-
	1,071,555	**1,358,117**

Direct operating expenses arising from investment properties that generated rental income during the year was $1,050,283 (2018 – $860,376). Direct operating expenses arising from investment properties that did not generate rental income during the year was $4,819 (2018 - $nil).

The Company's operating leases, in which the Company is the lessor, are structured such that the weighted average length of the leases as at December 31, 2019 was 8.1 months (7.6 months as at December 2018), calculated as a percentage of monthly revenues.

9 Property and equipment

				2019
	Furniture and fixtures $	**Equipment** $	**Buildings** $	**Total** $
Cost				
At January 1	73,702	135,758	2,110,307	2,319,767
Additions	-	1,540	-	1,540
Disposals	-	(4,994)	-	(4,994)
Impairment	-	-	(158,655)	(158,655)
Foreign exchange adjustment	(2,758)	(3,860)	(151,006)	(157,624)
At December 31	70,944	128,444	1,800,646	2,000,034

				2019
	Furniture and fixtures $	**Equipment** $	**Buildings** $	**Total** $
Accumulated depreciation				
At January 1	38,507	101,203	387,263	526,973
Depreciation	7,000	13,808	52,486	73,294
Disposals	-	(4,994)	-	(4,994)
Foreign exchange adjustment	(460)	(2,258)	(28,171)	(30,889)
At December 31	45,047	107,759	411,578	564,384
Net book value at December 31	25,897	20,685	1,389,068	1,435,650

During the year ended December 31, 2019 the Company recognized an impairment on its corporate office building of $158,655 (2018 – reversal of $198,520) which was implied by the same valuation methodology described in note 8.

9 Property and equipment (continued)

				2018
	Furniture and fixtures $	**Equipment $**	**Buildings $**	**Total $**
Cost				
At January 1	75,227	147,208	1,907,537	2,129,972
Additions	-	6,076	15,902	21,978
Disposals	(1,045)	(16,567)	-	(17,612)
Reversal of impairment	-	-	198,520	198,520
Foreign exchange adjustment	(480)	(959)	(11,652)	(13,091)
At December 31	73,702	135,758	2,110,307	2,319,767

				2018
	Furniture and fixtures $	**Equipment $**	**Buildings $**	**Total $**
Accumulated depreciation				
At January 1	32,144	107,121	335,811	475,076
Depreciation	7,268	14,406	55,687	77,361
Disposals	(534)	(16,567)	-	(17,101)
Foreign exchange adjustment	(371)	(3,757)	(4,235)	(8,363)
At December 31	38,507	101,203	387,263	526,973
Net book value at December 31	35,195	34,555	1,723,044	1,792,794

10 Trade payables and accrued liabilities

	2019 $	**2018 $**
Trade and accrued payables	506,351	231,167
Property commitment (note 8)	131,438	141,887
Security deposit	107,023	129,581
Unearned revenue	22,920	40,278
	767,732	**542,913**

The carrying amounts above reasonably approximate fair value at the consolidated statement of financial position date. All trade and other payables are current.

11 Short term and long term debt

	2019 $	2018 $
Current	-	680,902
Non-current	-	-
	-	**680,902**

In December 2017, the Company obtained a two year USD $1,000,000 credit facility through a commercial bank in Mongolia. The loan was secured by various property assets and guarantees from the Company's Mongolian subsidiaries. The Company made an initial draw of USD $500,000 in December 31, 2017 and was fully repaid in December 2019, along with all interest owed (note 18).

12 Income taxes

a) Effective tax rate

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

	2019 $	2018 $
Net income (loss) before income taxes	(3,315,654)	1,815,069
Combined statutory tax rate	26.5%	26.5%
Tax payable (recoverable) based on statutory tax rate	(879,000)	481,000
Effect of:		
Permanent differences	(99,000)	263,000
Change in statutory, foreign tax, foreign exchange rates and other	527,792	(436,274)
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses	(139,000)	(55,000)
Change in unrecognised deductible tax differences	524,000	5,000
Total income tax expense (recovery)	**(65,208)**	**257,726**
Provision for (recovery of) income taxes		
Current	90,398	22,659
Deferred	(155,606)	235,067

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.

12 Income taxes (continued)

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.

The significant components of the Company's deferred tax assets and liabilities are as follows:

	2019 $	2018 $
Deferred Tax Assets (liabilities)		
Property and equipment	51,000	51,000
Investment properties	(581,887)	(737,493)
Allowable capital losses	98,000	98,000
Non-capital losses available for future period	3,036,000	2,512,000
	2,603,113	1,923,507
Unrecognized deferred tax assets	(3,185,000)	(2,661,000)
Net deferred tax liability	**(581,887)**	**(737,493)**

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

Temporary Differences	2019	Expiry Date Range	2018	Expiry Date Range
Property and equipment	194,000	No expiry date	194,000	No expiry date
Allowable capital losses	371,000	No expiry date	371,000	No expiry date
Non-capital losses available for future period	11,458,000	2030 to 2039	9,480,000	2030 to 2038

Tax attributes are subject to review, and potential adjustment by tax authorities.

13 Share capital and contributed surplus

Common shares

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

The issued and outstanding common shares are as follows:

	Number of shares	Amount $
Balance, December 31, 2017	33,696,599	53,751,473
Shares re-purchased	-	(126,243)
Treasury stock cancelled	(452,600)	-
Balance, December 31, 2018	**33,243,999**	**53,625,230**
Shares re-purchased	-	(120,295)
Treasury stock cancelled	(476,500)	-
Balance, December 31, 2019	**32,767,499**	**53,504,935**

13 Share capital and contributed surplus (continued)

As at December 31, 2019, the Company held 35,000 (2018 -107,000) shares in treasury to be cancelled during the first quarter of 2020.

Stock options

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 and are exercisable within a maximum of ten (10) years. The vesting period for all options is at the discretion of the directors. The exercise price will be set by the directors at the time of grant and cannot be less than the discounted market price of the Company's common shares. At December 31, 2019, the Company had 1,856,750 (2018 – 221,400) common shares available for the granting of future options under the new plan. The Company does not have any cash-settled transactions. Full details of the Company's option plan can be found in "Schedule C" of the Management Information Circular on the Company's website and filed on Sedar.

A summary of the Company's options as at December 31 and changes during the years then ended follows:

	December 31, 2019	Weighted average exercise price $	December 31, 2018	Weighted average exercise price $
Balance, beginning of the year	3,103,000	1.13	3,103,000	1.13
Options expired	(1,623,000)	1.49	-	-
Options cancelled	-	-	-	-
Options granted	-	-	-	-
Options exercised	-	-	-	-
Options forfeited	(60,000)	0.72	-	-
Balance, end of the year	1,420,000	0.73	3,103,000	1.13
Exercisable	1,420,000	0.73	3,103,000	1.13
Weighted remaining average life (years)	-	0.26	-	0.77

13 Share capital and contributed surplus (continued)

Options outstanding December 31, 2019

Number outstanding	Number exercisable	Weighted average remaining life (years)	Weighted average exercise price $
855,000*	855,000	0.25	0.72
565,000*	565,000	0.27	0.74
1,420,000	**1,420,000**	**0.26**	**0.73**

*These options have expired subsequent to December 31, 2019.

Options outstanding December 31, 2018

Number outstanding	Number exercisable	Weighted average remaining life (years)	Weighted average exercise price $
1,043,000	1,043,000	0.17	1.90
300,000	300,000	0.94	1.09
915,000	915,000	1.25	0.72
565,000	565,000	1.27	0.74
280,000	280,000	0.21	0.38
3,103,000	**3,103,000**	**0.77**	**1.13**

Earnings per share

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

	2019 $	**2018** $
Weighted average number of shares - basic	32,989,169	33,352,911
Effect of dilutive stock options	-	-
Weighted average number of shares - diluted	**32,989,169**	**33,352,911**

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.

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.

14 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. There was no change in the Company's strategy or objective in managing capital since the prior year. There are no externally imposed capital requirements at year end. 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.

	2019 **$**	**2018** **$**
Current assets	5,809,586	4,809,169
Current liabilities	(825,506)	(1,233,025)
Working capital	**4,984,080**	**3,576,144**

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, 2019, the Company's working capital was $4,984,080 (2018 - $3,576,144).

15 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.

Catastrophe risk

Effective March 27, 2020, the Company obtained insurance on buildings and all permanent fixtures totalling approximately $11,700,000 (March 21, 2019 - $13,500,000).

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 receivables.

15 Financial risk management (continued)

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.

	2019 $	2018 $
Cash	737,255	745,411
Accounts receivable	1,342,624	92,280
less: Allowance for doubtful accounts	-	(13,806)
Marketable Securities	3,689,304	3,946,202
Maximum credit risk exposure on the consolidated statement of financial position	**5,769,183**	**4,770,087**

The Company's exposure to credit risk is managed through risk management policies and procedures with emphasis on the quality of the investment portfolio. The majority of the funds invested are held in reputable Barbadian, Canadian or Mongolian banks (note 5).

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 commercial classes.

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 investment property operating expenses.

As at December 31, 2019, 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 marketable securities as at December 31, 2019.

15 Financial risk management (continued)

The following table summarizes the undiscounted cash flows of financial assets and liabilities by contractual or expected maturity:

	December 31, 2019		
	One year or less **$**	**One to two years** **$**	**No maturity date** **$**
Financial Assets			
Cash	737,255	-	-
Accounts receivables	1,342,624	-	-
less: Allowance for doubtful accounts	-	-	-
	2,079,879	**-**	**-**
Financial Liabilities			
Trade payables and accrued liabilities	767,732	-	-
Securities sold short	23,340	-	-
	791,072	**-**	**-**

	December 31, 2018		
	One year or less **$**	**One to two years** **$**	**No maturity date** **$**
Financial Assets			
Cash	745,411	-	-
Accounts receivables	92,280	-	-
Less:Allowance for doubtful accounts	(13,806)	-	-
	823,885	**-**	**-**
Financial Liabilities			
Trade payables and accrued liabilities	542,913	-	-
Bank Loan	680,902	-	-
	1,223,815	**-**	**-**

15 Financial risk management (continued)

Market risk

Market risk includes interest rate risk, currency risk and other price 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. The Company is not directly exposed to interest rate risk at December 31, 2019 and 2018.

ii) Currency risk

Currency risk represents the risk that the Company incurs losses due to exposure to foreign currency fluctuations. The Company owns properties and carries out related business operations in Mongolia, and is therefore subject to foreign currency fluctuations that may impact its financial position and results.

The approximate impact of a fluctuation of 10% in the Mongolian Tögrög against the Canadian dollar would impact the OCI of the Company by $2,614,644 (2018 - $2,460,080).

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. The Company's marketable securities are exposed to other price risk. The approximate impact of a fluctuation of 10% in the price of the marketable securities would impact the value of the marketable securities by $425,226.

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.

15 Financial risk management (continued)

The Company's management believes that its interpretation of the relevant legislation is appropriate and the Company's tax positions will be sustained.

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.

16 Related party transactions

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

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

	2019 $	2018 $
Salaries and other short-term employee benefits	481,213	340,439
Director fees	40,000	40,000
	521,213	**380,439**

As at December 31, 2019, amounts due to related parties totaled approximately $48,118 comprised of accrued directors fees and fees owed to management (2018 - $57,000) were included in trade payables and accrued liabilities. An amount of $20,867 is owed to the Company by a company controlled by the CEO.

17 Commitments and contingencies

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

The Company currently has a standing agreement with the owner of a 42 sq. meter apartment which has been included in one of the Company's properties classified as land and redevelopment. The agreement entitles the owner of the apartment to 84 sq. meters of space on the first floor of a new building to be built on this land. In this agreement, the Company had an obligation to complete the construction of a new building by the end of fiscal 2017 and the agreement was not extended. The Company has received a demand letter from the owner of the apartment on April 24, 2019 in an amount of approximately $280,000 for lost rental income since 2013, along with approximately $4,000 per month until the matter is settled. Management believes that the majority of the claim is without merit and will not be successful, and therefore has not recongized a provision with regards to this claim.

However, $131,438 is currently included in the Company's trade payables and accrued liabilities (note 10) to reflect the contractual liability to provide an apartment. In addition, the Company has recognized an unrealized fair value loss of $1,436,256 (2018-$1,711,065) in the carrying value of the related investment property, representing management's estimate of the markets perception of the risk related to this agreement (note 8).

17 Commitments and contingencies (continued)

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.

18 Supplementary cash flow information

	2019 $	2018 $
Changes in non-working capital arising from		
Other assets	(25,230)	32,644
Trade payables and accrued liabilities	252,461	38,575
Income tax payable	78,355	(495)
Changes in non-cash working capital from operating activities	**305,586**	**70,724**

Consideration in the form of cash and investment properties for sale of investment properties were classified as other assets (note 7) at December 31, 2019 and received subsequent to year end totalling $1,288,764. Investment properties received as part of the consideration for the sale of investment properties was $48,213.

During the year ended December 31, 2018, the Company reclassified $295,960 from other assets relating to a deposit on a sale of an investment property which completed during the year ended December 31, 2018. During the year ended December 31, 2018, long term debt of $629,448 was reclassified to short term debt.

Income tax paid during the year was $32,637 (2018 - $34,656). Interest paid during the year was $82,776 (2018 - $84,620).

19 Segment information

The Company's operations are conducted in two reportable segments; Investment Property Operations and Corporate. The Company reports information about its operating segments based on the way Management organizes and reports the segments within the organization for making operating decisions and evaluating performance. Investment Property operations consist of commercial and residential investment property in Mongolia held for the purposes of rental revenue, capital appreciation or redevelopment. These properties are managed by Big Sky Capital LLC and its subsidiaries. The Company evaluates performance based on net income (loss) before income taxes.

			2019
	Investment Property	**Corporate**	**Total**
	$	**$**	**$**
Rental income	1,287,353	-	1,287,353
Property operating expenses	(1,055,102)	-	(1,055,102)
Unrealized loss on investment properties	(1,347,662)	-	(1,347,662)
Impairment of PPE	(158,655)	-	(158,655)
Unrealized mark to market gain	-	454,824	454,824
Other expenses	(156,737)	(1,067,158)	(1,223,895)
Depreciation	(73,294)	-	(73,294)
Net investment income	5,489	128	5,617
loss on disposal of investment property	(302,959)	-	(302,959)
Other revenue	156,433	3	156,436
Foreign currency gain (loss)	(10,601)	218,796	208,195
Realized loss on marketable securities	-	(358,826)	(358,826)
Finance cost	(82,775)	(47)	(82,822)
Reclassification of accumulated other comprehensive income on disposal of subsidiary	(824,864)	-	(824,864)
Net income (loss) before income taxes	**(2,563,374)**	**(752,280)**	**(3,315,654)**

			2018
	Investment Property	**Corporate**	**Total**
	$	**$**	**$**
Rental income	1,384,840	-	1,384,840
Property operating expenses	(860,376)	-	(860,376)
Unrealized gain on investment properties	1,892,577	-	1,892,577
Reversal of Impairment of PPE	198,520	-	198,520
Unrealized mark to market loss	-	(608,297)	(608,297)
Other expenses	(134,823)	(813,973)	(948,796)
Depreciation	(77,361)	-	(77,361)
Net investment income	21,741	106	21,847
Gain on disposal of investment property	38,592	-	38,592
Other revenue	48,217	-	48,217
Realized gain on marketable securities	-	995,716	995,716
Finance cost	(84,620)	-	(84,620)
Foreign currency loss	(56,185)	(129,605)	(185,790)
Net income (loss) before income taxes	**2,371,122**	**(556,053)**	**1,815,069**

19 Segment information (continued)

Balance as of December 31, 2018	Investment Property $	Corporate $	Total $
Total assets	26,608,077	4,409,746	31,017,823
Property and equipment	1,792,794	-	1,792,794
Investment properties	24,415,860	-	24,415,860
Expenditures			
Property and equipment	21,978	-	21,978
Investment properties	-	-	-
Total liabilities	**1,774,396**	**196,122**	**1,970,518**

Balance as of December 31, 2019	Investment Property $	Corporate $	Total $
Total assets	22,329,807	3,747,414	26,077,221
Property and equipment	1,435,650	-	1,435,650
Investment properties	18,831,985	-	18,831,985
Expenditures			
Property and equipment	1,540	-	1,540
Investment properties	48,213	-	48,213
Total liabilities	**981,946**	**425,447**	**1,407,393**

	Trade payables and accrued liabilities		**Revenue**		**Property and equipment**		**Investment property**	
	2019 $	**2018 $**	**2019 $**	**2018 $**	**2019 $**	**2018 $**	**2019 $**	**2018 $**
Canada	402,107	196,122	-	-	-	-	-	-
Mongolia	365,625	346,791	1,140,830	1,471,649	1,435,650	1,792,794	18,831,985	24,415,860
	767,732	**542,193**	**1,140,830**	**1,471,649**	**1,435,650**	**1,792,794**	**18,831,985**	**24,415,860**

20 Other expenses

	2019 $	2018 $
Investor relations	25,808	47,809
Investment research expense	53,194	-
Repairs and maintenance	66,858	55,674
Office	70,633	92,585
Professional fees	888,056	616,346
Travel	51,626	72,041
Advertising	22,832	8,248
Land and property tax	115,250	114,352
Insurance	65,889	54,988
Utilities	156,489	136,080
Allowance for doubtful tax receivables	(13,807)	(35,642)
Other	82,317	102,803
	1,585,145	**1,265,284**

21 Disposal of subsidiary

On December 26th, 2019, the Company disposed of its interest in its Endymion LLC subsidiary as a result of the sale of one of its land packages. The Company held 100% of the shares of Endymion LLC where the only assets and liabilities were related to the property. In connection with the sale, the Company received consideration of $1,288,764 compared to net assets of $1,502,981 resulting in a loss of $214,217 classified within loss on disposal of investment property in profit and loss. Endymion LLC had $824,864 other comprehensive income and it was reclassified to profit and loss.

22 Subsequent events

- Since January 1, 2020, the Company has repurchased 334,000 of its shares at an average price of $0.22/share and cancelled 369,000 shares.
- The Company sold 2 properties for proceeds of approximately $413,000 and a net gain of $nil
- Beginning in February of 2020, the Government of Mongolia undertook extra-ordinary actions in order to limit the spread of COVID-19 or other COVID-19 related impacts. These actions included closing borders, closing schools, reducing gatherings and drastic limitations on business operations. As long-term investors in Mongolia, the Corporation welcomes these actions that keep the people of Mongolia safe from COVID-19; however it is anticipated that these actions will lead to a severe economic crisis. Since the initiation of these actions, the Company has experienced a material reduction in rental revenues received. It is reasonable to expect there could be a material negative impact on the fair values of investment properties and/or marketable securities, however at this time the potential effect cannot be quantified. At this time, there is no way to know the ultimate impact of these extra-ordinary actions upon the economy or the Company.