

Mongolia Growth Group Ltd.

Condensed Interim Consolidated Financial
Statements
(Unaudited)
For the three months ended
March 31, 2019 and 2018
(Expressed in Canadian dollars)

Mongolia Growth Group Ltd.

Condensed Interim Consolidated Statements of Financial Position (Unaudited)

As at March 31, 2019

(expressed in Canadian dollars)

	March 31, 2019 \$	December 31, 2018 \$
Assets		
Current assets		
Cash (note 5)	707,534	745,411
Marketable securities (note 6)	4,180,557	3,946,202
Other assets (note 7)	134,686	117,556
	<u>5,022,777</u>	<u>4,809,169</u>
Non-current assets		
Investment properties (note 8)	24,187,664	24,415,860
Property and equipment (note 9)	1,759,175	1,792,794
	<u>25,946,839</u>	<u>26,208,654</u>
Total assets	<u>30,969,616</u>	<u>31,017,823</u>
Liabilities		
Current liabilities		
Trade payables and accrued liabilities	507,461	542,913
Income taxes payable	7,712	9,210
Short term debt (note 10)	671,626	680,902
	<u>1,186,799</u>	<u>1,233,025</u>
Non-current liabilities		
Deferred income tax liability	730,600	737,493
Total liabilities	<u>1,917,399</u>	<u>1,970,518</u>
Equity		
Share capital (note 11)	53,601,478	53,625,230
Contributed surplus	6,849,976	6,849,976
Accumulated other comprehensive loss	(13,462,019)	(13,226,649)
Deficit	(17,937,218)	(18,201,252)
Total equity	<u>29,052,217</u>	<u>29,047,305</u>
Total equity and liabilities	<u>30,969,616</u>	<u>31,017,823</u>

Commitment and contingencies (note 14)

Approved by the Board of Directors

"Harris Kupperman" Director _____ "Robert Scott" Director

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

Mongolia Growth Group Ltd.

Condensed Interim Consolidated Statements of Operations

(Unaudited)

For the three month period ended March 31

(expressed in Canadian dollars)

	March 31, 2019 \$	March 31, 2018 \$
Revenue		
Rental income	340,329	346,477
Other revenue	20,535	10,271
Total revenue	360,864	356,748
Expenses		
Salaries and wages	158,154	127,410
Other expenses (note 17)	313,764	306,292
Depreciation (note 9)	17,790	18,372
Total operating expenses	(489,708)	(452,074)
Interest income	2,210	2,583
Unrealized gain (loss) on short term investments (note 6)	360,790	(90,447)
Realized gain (loss) on short term investments (note 6)	1,676	(25,615)
Foreign currency gain (loss)	57,572	(18,018)
Finance costs	(21,583)	(19,500)
Total other income and expenses	400,665	(150,997)
Net income (loss) before income taxes	271,821	(246,323)
Income taxes	(7,787)	(26,632)
Net income (loss) for the period	264,034	(272,955)
Net income (loss) per share (note 11)		
Basic		
From net income (loss) for the period	0.01	(0.01)
Diluted		
From net income (loss) for the period	0.01	(0.01)

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

Mongolia Growth Group Ltd.

Condensed Interim Consolidated Statements of Comprehensive Income (Loss)

(Unaudited)

For the three month period ended March 31

(expressed in Canadian dollars)

	March 31, 2019 \$	March 31, 2018 \$
Net income (loss) for the period	264,034	(272,955)
Other comprehensive income (loss)		
Items that may be subsequently reclassified to income or loss		
Unrealized gains (losses) on translation of financial statement operations with Mongolian Tögrög functional currency to Canadian dollar reporting currency	<u>(235,370)</u>	<u>993,821</u>
Total comprehensive income	<u>28,664</u>	<u>720,866</u>

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

Mongolia Growth Group Ltd.

Condensed Interim Consolidated Statement of Changes in Equity

(Unaudited)

For the three month period ended March 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 loss for the period	-	-	-	(272,955)	(272,955)
Other comprehensive income	-	-	993,821	-	993,821
	53,751,473	6,849,976	(12,092,453)	(20,031,550)	28,477,446
Share repurchase	(28,989)	-	-	-	(28,989)
Balance at March 31, 2018	53,722,484	6,849,976	(12,092,453)	(20,031,550)	28,448,457

	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 income for the period	-	-	-	264,034	264,034
Other comprehensive loss	-	-	(235,370)	-	(235,370)
	53,625,230	6,849,976	(13,462,019)	(17,937,218)	29,075,969
Share repurchase	(23,752)	-	-	-	(23,752)
Balance at March 31, 2019	53,601,478	6,849,976	(13,462,019)	(17,937,218)	29,052,217

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

Mongolia Growth Group Ltd.

Condensed Interim Consolidated Statements of Cash Flows

(Unaudited)

For the three month period ended March 31

(expressed in Canadian dollars)

	March 31, 2019 \$	March 31, 2018 \$
Cash provided by (used in)		
Operating activities		
Net income for the period	264,034	(272,955)
Items not affecting cash		
Depreciation (note 9)	17,790	18,372
Deferred taxes	(6,893)	20,334
Realized (gain) loss on marketable securities	(1,676)	25,615
Unrealized (gain) loss on marketable securities (note 6)	(360,790)	90,447
	(87,535)	(118,187)
Net change in non-cash working capital balances (note 15)	(44,711)	(66,439)
	(132,246)	(184,626)
Financing activities		
Share repurchase (note 11)	(23,752)	(28,989)
	(23,752)	(28,989)
Investing activities		
Net sales of marketable securities (note 6)	191,787	(767,527)
Acquisition of property and equipment (note 9)	(1,647)	-
	190,140	(767,527)
Effect of exchange rates on cash	(72,019)	61,743
Decrease in cash	(37,877)	(919,399)
Cash - Beginning of period	745,411	1,640,771
Cash - End of period	707,534	721,372

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

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

March 31, 2019

(expressed in Canadian dollars)

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 March 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, Endymion LLC, Zulu LLC, Crescent City LLC, and Oceanus LLC (together "the investment property operations"). 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.

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 March 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 4.

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).

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

March 31, 2019

(expressed in Canadian dollars)

2 Basis of presentation (continued)

These consolidated financial statements were approved by the Board of Directors of the Company for issue on May 15, 2019.

3 Current Accounting Policy Changes

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

IFRS 16 Leases

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. There was no impact on the Company's consolidation financial statements from 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 consolidation financial statements from adoption of IFRIC 23.

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

March 31, 2019

(expressed in Canadian dollars)

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 the Company is not currently in possession of the appropriate titles but does not expect there to be issues in receiving the titles are classified as prepaid deposits on 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 of the annual financial statements for the year ended December 31, 2018. Changes in assumptions about these factors could materially affect the carrying value of investment properties.
- Valuation of marketable securities and investments - The Company recognizes marketable securities and investments 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, judgment 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.

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

March 31, 2019

(expressed in Canadian dollars)

4 Significant accounting estimates and judgements (continued)

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 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 March 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 March 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. Newly acquired properties whereby the Company is not currently in possession of the appropriate titles but does not expect there to be issues in receiving the titles, are classified as prepaid deposits on 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.

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

March 31, 2019

(expressed in Canadian dollars)

5 Cash

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

The following table discloses the geographical location of cash:

	March 31, 2019	December 31, 2018
	\$	\$
Barbados	205,508	1,483
Canada	264,788	458,787
Mongolia	237,238	285,141
	707,534	745,411

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

6 Marketable Securities

	March 31, 2019	December 31, 2018
	\$	\$
Common shares of public companies:		
Fair value - beginning of the year	3,946,202	2,816,624
Common shares purchased on margin – beginning of the year	219,743	-
Net purchases (sales)	(411,530)	1,109,237
Foreign exchange (loss) gain	63,676	(147,335)
Unrealized gain	360,790	(608,297)
Realized gain	1,676	995,716
Margin borrowings	-	(219,743)
Fair value - end of the quarter	4,180,557	3,946,202

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

March 31, 2019

(expressed in Canadian dollars)

7 Other assets

	March 31, 2019	December 31, 2018
	\$	\$
Accounts receivable	75,339	92,280
less: Allowance for doubtful accounts	(13,678)	(13,806)
Prepaid expenses	73,025	39,082
	134,686	117,556

8 Investment properties

	March 31, 2019	December 31, 2018
	\$	\$
Balance - beginning of period	24,415,860	22,887,521
Additions		
Transfer from other asset	-	295,960
Disposals	-	(509,363)
Fair value adjustment	-	1,892,577
Foreign exchange adjustments	(228,196)	(150,835)
Balance - end of period	24,187,664	24,415,860

During the period ended March 31, 2019, the Company did not acquire nor sell any properties (Q1 2018 – nil).

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

March 31, 2019

(expressed in Canadian dollars)

9 Property and equipment

	2018			
	Furniture and fixtures \$	Equipment \$	Buildings \$	Total \$
December 31				
Cost	73,702	135,758	2,110,307	2,319,767
Accumulated depreciation	38,507	101,203	387,263	526,973
Net book value	35,195	34,555	1,723,044	1,792,794
	2019			
	Furniture and fixtures \$	Equipment \$	Buildings \$	Total \$
Cost				
At January 1	73,702	135,758	2,110,307	2,319,767
Additions	-	1,647	-	1,647
Foreign exchange adjustment	(468)	(1,511)	(26,586)	(28,565)
At March 31	73,234	135,894	2,083,721	2,292,849
	2019			
	Furniture and fixtures \$	Equipment \$	Buildings \$	Total \$
Accumulated depreciation				
At January 1	38,507	101,203	387,263	526,973
Depreciation	1,745	3,395	12,650	17,790
Foreign exchange adjustment	(116)	(1,101)	(9,872)	(11,089)
At March 31	40,136	103,497	390,041	533,674
Net book value at March 31	33,098	32,397	1,693,680	1,759,175

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

March 31, 2019

(expressed in Canadian dollars)

10 Short term debt

	2019 \$	2018 \$
Current	671,626	680,902
	671,626	680,902

In December 2017, the Company obtained a two year CDN\$1,300,200 (US\$1,000,000) credit facility through a commercial bank in Mongolia. The loan is secured by various property assets and guarantees from Mongolian subsidiaries. The loan is to be repaid in December 2019.

11 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, 2018	33,243,999	53,625,230
Shares re-purchased	-	(23,752)
Treasury stock cancelled	(107,000)	-
Balance March 31, 2019	33,136,999	53,601,478

As at March 31, 2019, the Company held 73,500 (Q1 2018-527,000) shares in Treasury with a value of \$23,753 to be cancelled during the second quarter of 2019.

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.

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

March 31, 2019

(expressed in Canadian dollars)

11 Share capital and contributed surplus (continued)

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 March 31, 2019, the Company had 1,593,700 (December 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 B" of the Management Information Circular on the Company's website and filed on Sedar.

A summary of the Company's options as at March 31, 2019 and December 31, 2018 and changes during the periods then ended follows:

	March 31, 2019	Weighted average exercise price \$	December 31, 2018	Weighted average exercise price \$
Balance, beginning of period	3,103,000	1.13	3,103,000	1.13
Options expired	(1,323,000)	1.58	-	-
Options cancelled	-	-	-	-
Options granted	-	-	-	-
Options forfeited	(60,000)	0.72	-	-
Options exercised	-	-	-	-
Balance, end of the period	<u>1,720,000</u>	<u>0.79</u>	<u>3,103,000</u>	<u>1.13</u>
Exercisable	<u>1,720,000</u>	<u>0.79</u>	<u>3,103,000</u>	<u>1.13</u>
Weighted remaining average life (years)	<u>-</u>	<u>0.96</u>	<u>-</u>	<u>0.77</u>

a) Earnings per share

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

	March 31, 2019 \$	December 31, 2018 \$
Weighted average number of shares – basic	33,113,966	33,352,911
Effect of dilutive stock options	<u>-</u>	<u>-</u>
Weighted average number of shares – diluted	<u>33,113,966</u>	<u>33,352,911</u>

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

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

March 31, 2019

(expressed in Canadian dollars)

11 Share capital and contributed surplus (continued)

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.

12 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.

	March 31, 2019	December 31, 2018
	\$	\$
Current assets	5,022,777	4,809,169
Current liabilities	<u>(1,186,799)</u>	<u>(1,233,025)</u>
Working capital	<u>3,835,978</u>	<u>3,576,144</u>

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 March 31, 2019, the Company's working capital was \$3,835,978 (December 31, 2018 - \$3,576,144).

13 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.

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

March 31, 2019

(expressed in Canadian dollars)

13 Related party transactions (continued)

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

	Three months ending March 31, 2019 \$	Three months ending March 31, 2018 \$
Salaries and other short-term employee benefits	119,949	103,105
Director fees	10,000	40,000
	129,949	143,105

Starting in 2019, certain entities affiliated with Harris Kupperman, the Corporation's Chairman and CEO have agreed to split certain expenses related to the Corporation's investments in public securities. The Corporation expects that this will reduce MGG's investment related expenses on an ongoing basis.

14 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 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.

15 Supplementary cash flow information

	Three months ending March 31, 2019 \$	Three months ending March 31, 2018 \$
Changes in non-working capital arising from		
Other assets	(18,190)	(37,616)
Trade payables and accrued liabilities	(32,020)	(4,225)
Income tax payable	5,499	(24,598)
Changes in non-cash working capital from operating activities	(44,711)	(66,439)

Income taxes paid during the quarter were \$8,701 (March 31, 2018-\$9,505). Interest paid during the quarter was \$21,583 (Q1-2018 \$19,500).

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

March 31, 2019

(expressed in Canadian dollars)

16 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.

	Three months ended March 31, 2019		
	Investment property	Corporate	Total
	\$	\$	\$
Rental income	340,329	-	340,329
Property operating expenses	(238,912)	-	(238,912)
Unrealized mark to market gain	-	360,790	360,790
Realized gain on short term investments	-	1,676	1,676
Other expenses	(33,072)	(199,934)	(233,006)
Depreciation	(17,790)	-	(17,790)
Net investment income	2,210	-	2,210
Other revenue	20,535	-	20,535
Foreign currency loss	2,626	54,946	57,572
Finance cost	(21,583)	-	(21,583)
Net income before income taxes	54,343	217,478	271,821

	Three months ended March 31, 2018		
	Investment property	Corporate	Total
	\$	\$	\$
Rental income	346,477	-	346,477
Property operating expenses	(203,868)	-	(203,868)
Unrealized mark to market loss	-	(90,447)	(90,447)
Other expenses	(29,330)	(200,504)	(229,834)
Depreciation	(18,372)	-	(18,372)
Net investment income	2,552	31	2,583
Other revenue	10,271	-	10,271
Realized loss on marketable securities	-	(25,615)	(25,615)
Foreign currency gain (loss)	2,598	(20,616)	(18,018)
Finance cost	(19,500)	-	(19,500)
Net income (loss) before income taxes	90,828	(337,151)	(246,323)

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

March 31, 2019

(expressed in Canadian dollars)

16 Segment information (continued)

	Balance as of March 31, 2019		
	Investment Property \$	Corporate \$	Total \$
Total assets	26,297,880	4,671,736	30,969,616
Property and equipment	1,759,175	-	1,759,175
Investment properties	24,187,664	-	24,187,664
Expenditures			
Property and equipment	1,647	-	1,647
Investment properties	-	-	-

	Balance as of March 31, 2018		
	Investment Property \$	Corporate \$	Total \$
Total assets	26,327,016	3,815,575	30,142,591
Property and equipment	1,702,989	-	1,702,989
Investment properties	23,813,855	-	23,813,855
Expenditures			
Property and equipment	-	-	-
Investment properties	-	-	-

	Revenue		Property and equipment		Investment property	
	March 31, 2019 \$	March 31, 2018 \$	March 31, 2019 \$	March 31, 2018 \$	March 31, 2019 \$	March 31, 2018 \$
Canada	-	-	-	-	-	-
Mongolia	360,864	356,748	1,759,175	1,702,989	24,187,664	23,813,855
	360,864	356,748	1,759,175	1,702,989	24,187,664	23,813,855

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

March 31, 2019

(expressed in Canadian dollars)

17 Other expenses

For the three months ended March 31

	2019	2018
	\$	\$
Investor relations	6,300	10,650
Repairs and maintenance	9,111	10,920
Office	23,353	22,939
Professional fees	157,603	140,075
Travel	12,414	28,655
Advertising	5,263	1,304
Land and property tax	24,435	26,094
Insurance	15,824	12,969
Utilities	39,532	38,866
Other	19,929	13,820
	313,764	306,292