MONGOLIA GROWTH GROUP LTD.

MANAGEMENT DISCUSSION & ANALYSIS

Third Quarter 2016

Contents

To The Shareholders of MGG:

The third quarter of 2016 has seen us demonstrate continued progress in terms of reducing costs, improving efficiencies and keeping AFFO losses to a minimum.

On the cost side, the third quarter of 2016 showed a $193,360 (30%) reduction in costs before depreciation, equity compensation and non-capitalized development expenses when compared with the third quarter of 2015. We are continuing to work on finding additional cost cuts however potential savings appear to be largely exhausted.

Adjusted Funds From Operations (AFFO) improved from an AFFO quarterly loss of $146,415 in Q3 2015 to a loss of $46,238 in Q3 2016.

Our revenues in Mongolian Tögrög terms have continued to slide throughout 2016, with this slide further exacerbated by the 21% decline against the Canadian Dollar since the beginning of 2016. Additionally, high tenant turnover is forcing us to increase tenant improvement spending and we are re-leasing properties at mostly lower rates.

Unfortunately, our AFFO continues to be negative and trends in the Mongolian economy indicate that this negative AFFO will accelerate from here over the next few quarters—even before factoring in the rapidly depreciating Mongolian Tögrög. We've done all that we could to reduce costs, find new sources of revenue and insulate shareholders from the accelerating decline of the Mongolian economy. Unfortunately, I suspect that this will not be enough to get us to positive AFFO and the next few quarters will be quite bleak before the Mongolian economy hopefully bottoms. Following this, I suspect that the large quantity of commercial property that has recently come online and is expected to come online over the next few years, will lead to an oversupply in property that will take at least a few years and likely quite longer to be absorbed, leading to stubbornly high vacancy and dramatically lower rental rates than we have had to contend with over the past few years. These factors will likely forestall any recovery in property values for many years into the future.

Unfortunately, we have not reached the scale needed to support the cost structure of being a publicly traded company and are unlikely to do so without raising substantial additional capital—which is unlikely to be available to us on acceptable terms for quite some time. As a result of this, I do not see a logical event path that gets us beyond roughly break-even AFFO for the foreseeable future, even if rental rates recover dramatically from here.

As CEO and largest shareholder, I clearly recognize that owning a pool of property that continues to have negative AFFO, while depreciating in value is a very unattractive outcome. Now that our AFFO losses have stabilized at a much reduced level, we are in the process of undertaking a thorough overview of our operations with the goal of reevaluating our long term strategy and charting a path that leads to a positive return on capital.

As we review the property market, we have concluded that values are likely to be stable at best and likely depreciating in U.S. and Canadian Dollar terms for many years into the future. Since the start of 2016, we have been trying to dispose of multiple assets with negligible operating income on the best terms possible, so that we can increase liquidity as we try and determine the correct path forward. Unfortunately, we have struggled to make sales and suspect that asset sales will have to be conducted at prices that may be a good deal lower than current carrying values, before various transaction costs—if they can be accomplished at all. Additionally, it may take quite some time before the economy recovers sufficiently for us to make more than token asset sales.

I believe in the long-term future of Mongolia and believe that we have an outstanding portfolio of property assets along with a highly skilled team to manage them. Regrettably, this hasn't been sufficient for us to create value for shareholders and it appears that it will not be sufficient in the future either. Our goal since I have returned as CEO, has been to lose less money and preserve as much value for shareholders as possible. This continues to be our goal.

Despite everything that I've said above, I continue to believe that our shares are undervalued. During the third quarter, the Corporation repurchased 280,500 shares at a gross cost of $96,681. Despite our very limited liquidity, I believe that repurchasing shares remains a good use of our capital and the Corporation will continue on this path as long as the shares remain undervalued and we have sufficient liquidity. The current economic situation in Mongolia is bleak and likely to get worse, yet I haven't lost hope in the ultimate future for MGG and intend to continue increasing my shareholdings over time.

Sincerely,

Harris Kupperman

MONGOLIA GROWTH GROUP LTD.

Management Discussion & Analysis

September 30, 2016

The management of Mongolia Growth Group Ltd. ("MGG" or "the Corporation") presents the Corporation's management discussion and analysis for the three months ended September 30, 2016 (the "MD&A"), compared with the three months ended September 30, 2015. As of January 1, 2011, the Corporation adopted International Financial Reporting Standards ("IFRS"). This MD&A provides an overall discussion, followed by analyses of the performance of the Corporation's major reportable segments. The reporting and presentation currency in the Consolidated Financial Statements and in this discussion and analysis is the Canadian dollar, unless otherwise noted.

This MD&A is dated November 15, 2016 and incorporates all relevant information and considerations to that date.

The following discussion and analysis should be read in conjunction with the Consolidated Condensed Financial Statements of the Corporation for the three months ended September 30, 2016 and September 30, 2015 together with all of the notes, risk factors and information contained therein, available on SEDAR at www.sedar.com.

Non-IFRS Financial Measures

This MD&A makes reference to adjusted earnings before interest, taxes, unrealized fair value adjustments, share based payments, depreciation and amortization ("**Adjusted EBITDA**"). The Corporation uses Adjusted EBITDA as a measure of the performance of its operating subsidiaries as it excludes depreciation and interest charges, which are a function of the Corporation's specific capital structure, and also excludes entity specific tax expense. These amounts are not performance measures as defined under IFRS and should not be considered either in isolation of, or as a substitute for, net earnings prepared in accordance with IFRS. The Corporation refers to "funds used in operations", "operating losses" and "re-valuation of investment properties" within this analysis. "Funds used in operations" is computed by calculating the cash flow from operations before changes to non-cash working capital from operations. "Operating Profits" is computed by calculating the profit before tax and any fair value adjustments. The Corporation also refers to Funds from Operations ("FFO") and Adjusted Funds from Operations ("AFFO"). "FFO" is not defined under IFRS. The Corporation calculates FFO in accordance with the Real Property Association of Canada ("REALpac") White Paper on Funds from Operations issued April 2014. FFO is defined by the Corporation as net income (loss) and comprehensive income (loss) calculated in accordance with IFRS, excluding: (i) Unrealized change in fair value of investment properties (ii) depreciation and amortization of investment properties; (iii) gains (or losses) from sales of investment properties and equipment; (iv) tax on gains or losses of sale on investment properties (v) deferred income tax (expense) recovery net of foreign exchange adjustments (vi) impairment/losses on all real estate assets (vii) Gains or losses on PPE properties (viii) share based payments. Additionally, the Corporation excludes gains or losses on publicly traded securities along with the tax impact of such gains and losses which are not related to its real estate operations. "AFFO" is not defined under IFRS and may not be comparable to AFFO used by other issuers. The Corporation has defined AFFO as FFO subject to certain adjustments, including: development expenses not capitalized, large one-time revenue or expense items and other adjustments as determined by Management. Management has recently revisited its calculation of deferred taxes. Previous calculations of deferred taxes included changes in foreign exchange fluctuations. Due to the recent currency fluctuations, the Company has adopted a policy of calculating the change in deferred taxes by calculating the change in deferred taxes in the Statement of Cash Flows rather than the change of deferred taxes on the Balance Sheet.

Forward Looking Statements

This MD&A contains forward-looking statements relating to future events. In some cases, forward-looking statements can be identified by words such as "anticipate", "continue", "estimate", "expect", "forecast", "may", "will", "project", "should", "believe", or similar expressions. These statements represent management's best projections but undue reliance should not be placed upon them as they are derived from numerous assumptions. These assumptions are subject to known and unknown risks and uncertainties, including the "Risks and Uncertainties" as discussed herein. Actual performance and financial results will differ from any projections of future performance or results expressed or implied by such forward looking statements and the difference may be material.

Accordingly, readers are cautioned that events or circumstances could cause results to differ materially from those predicted. From time to time, the Corporation's management may make estimates and have opinions that form the basis for the forward-looking statements. The Corporation assumes no obligation to update such statements if circumstances, management's estimates, or opinions change.

Forward-looking information is necessarily based upon a number of assumptions that, while considered reasonable by management, are inherently subject to significant business, economic and competitive uncertainties and contingencies. MGG cautions the reader that such forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results and developments to differ materially from those expressed or implied by such forward-looking information. Such risks and uncertainties include, but are not limited to: risks associated with investment in and development of real property in Mongolia; competition, financing and refinancing risks; risks related to economic conditions; risks related to regulation of the real estate business in Mongolia; political risk in Mongolia; changes in Mongolian taxation rules; reliance on key personnel; environmental matters; tenant risks; investment and trading risks, regulatory risks, and other risk factors more particularly described in in MGG's filings with Canadian securities regulators, which filings are available at www.sedar.com. Additional risks and uncertainties not presently known to MGG or that MGG currently believes to be less significant may also adversely affect MGG. Forward-looking information is designed to help you understand management's current views of our near and longer term prospects, and it may not be appropriate for other purposes. MGG does not undertake any obligation to update or revise forward-looking information, whether as a result of new information, future events or otherwise, except to the extent legally required.

Forward looking statements are included within the Outlook, CEO Message to Shareholders and Executive Strategy sections of this MD&A.

Section 1 – Overview

Financial and Operational Overview

During the third quarter of 2016, the Corporation continued to focus on reducing costs in the midst of a weakening Mongolian economy; however cost reductions were partially offset by declines in rental revenues on assets that were leased out during prior periods. Offsetting this, a number of properties that were developed by the Corporation in prior periods began to pay rent. During the third quarter, AFFO losses improved from $146,415 to $46,238 when compared to the third quarter of 2015 due a reduction of expenses. Overall AFFO showed a significant improvement due to a 30% reduction in costs before depreciation, equity compensation and non-capitalized development expenses when compared with the third quarter of 2015. A portion of this reduction in expenses is due to a decrease in audit related accruals expensed during the quarter. The company had over accrued for these expenses during the first half of the year prior to the change in auditors.

The Corporation's rental revenue decreased by 10.3% over the same quarter last year, which was largely as a result of increased vacancies, increasing amount of rental discounts provided to tenants and a weaker currency. Additionally, the Corporation was forced to reduce rental rates on many property assets when leases came up for renewal. The Corporation's office space experienced higher vacancy rates than usual due to the departure of a significant tenant at the Corporation's head office. The Corporation is working to increase the occupancy at this property, but has struggled to fill this space due to an oversupply of office space and a weakening economy. Additionally, rental rates have continued to decline, particularly in the office market, leading to an expectation that rental revenue will continue to decline in future quarters. While the Corporation experienced a low level of bad debt expense during the third quarter, an increased number of tenants are late on their rental payments. It is expected that bad debt expense will increase in future quarters if these delinquent rents are charged off. Weakness in the economy has led to decreases in the Corporation's occupancy rates particularly in the office space sector which had an occupancy rate of 75.3% at the end of the quarter dragging down the Corporation's overall weighted average occupancy rate to 87.6%.

Due to a significant deterioration of the local economy, the Corporation recorded an unrealized fair value loss of $5,916,360 on its investment properties portfolio at the end of the second quarter (Q2 2015-nil), none during Q3 2016 (Q3 2015 - $2,271,061). If market values continue to decline, the Corporation will likely need to record unrealized fair value losses in future quarters.

During the quarter, the Corporation did not dispose of any assets. Proceeds from the sale of three non-core assets sold earlier during the year were used for working capital and its Normal Course Issuer Bid (NCIB) program. It is anticipated that the Corporation will continue to dispose of properties in future quarters in order to fund working capital needs along with the NCIB program. As of September 30, 2016, the Corporation had six investment properties at a fair value of $2,512,753 classified as available for sale. (Q4 2015 – four classified as available for sale at a fair value of $2,970,114).

During the quarter, the Mongolian Tögrög depreciated versus the Canadian dollar from 1,522 MNT/CAD on June 30, 2016 to 1,739 MNT/CAD on September 30 2016; a 14.3% decrease during the quarter as the government announced that it had stopped defending the weak currency. This depreciation led to a $4,878,185 comprehensive income loss (Q3 2015 – 2,346,072 gain) during the quarter. Subsequent to the end of the quarter, the Mongolian

Tögrög has continued to experience a steady and continuous decline. Furthermore, the Corporation has experienced some difficulty in converting Mongolian Tögrög to U.S. Dollars as banks seem to have a shortage of U.S. Dollars. To date, banks have imposed various daily limits on convertibility that have hindered the Corporation's ability to convert even small quantities of currency. The Corporation continues to transfer money back to its Canadian headquarters, however there is no certainty that the Mongolian banks will continue to allow such transfers in the future. The Corporation tries to keep as little of its cash reserves in Mongolian Tögrög as is possible to operate the business.

Economic Overview

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

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

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

Property Overview

The general property market continues to be influenced by the overall Mongolian economy. With the accelerating decline in the Mongolian economy, there has been a noticeable increase in vacancy, particularly in office and residential space. In the downtown core, this has led to a substantial decline in pricing for both rental rates and sales for those two asset classes. High street retail has seen less of an increase in supply, and demand for space remains adequate although lease rates have continued their decline during the third quarter of 2016. While most data is anecdotal, office rental prices in the downtown core have declined between 30-70%, while retail lease rates have declined by approximately a third in Mongolian Tögrög terms over the past 12-18 months. Recently, a number of prestigious office buildings have offered highly aggressive rates in order to fill vacancies, including elongated free rental periods or even offering rental rates that are below the levels needed to support property taxes and utilities. Based on those indicative rates, the Corporation would experience a substantial decline in rental rates for existing office assets and it is expected that the Corporation's rental revenues will decline substantially in future quarters. Additionally, there are a sizable number of office buildings and retail mini-malls that are expected to be completed before the end of 2017. These properties are expected to put substantial additional pressure on rental rates as they represent very sizable increases in supply at a time when demand continues to decline due to businesses downsizing or ceasing operations.

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

Management expects a continued high demand for well-located street-level retail space, with a reduced demand level for office space. MGG continues to have below market rates of vacancy in all asset classes and believes that it is substantially outperforming the overall market in terms of occupancy, though it has often had to offer substantial discounts in order to fill spaces.

The Corporation is focused on maintaining high levels of occupancy, even if it needs to continually lower rental rates.

MGG has seen a slight increase in bad debt and late payment of rent over the past year. Additionally, a large number of tenants are asking to have their rents reduced due to the economic crisis. MGG proactively evaluates tenants based on past rental history before changing the terms of rental contracts with a goal of keeping properties fully occupied at the cost of lowering rents. It is anticipated that many existing leases will be re-negotiated to substantially lower rates when they expire over the next few quarters.

It is expected that market rental rates will continue to decline, especially when converted back to Canadian dollars. Additionally, overall rental revenue is expected to decline as existing leases are re-signed at current market rates that are often substantially lower than the rates that existed when contracts were previously signed or existing tenants demand that the Corporation reduces rental rates.

Section 2 - Executing the Strategy

Core Business

During the past five years, Management and employees have worked hard to build up the infrastructure needed to manage MGG's institutional property platform. This platform is unique in Mongolia and is one of the only platforms capable of managing assets through the full cycle of ownership from acquisition and development, through disposition and includes dedicated departments that manage maintenance, leasing, marketing and tenant management. Management believes it has a strong team in place to lead the Corporation into its next phase of growth.

Due to MGG's unique platform, the Corporation is adding third party leasing and property management to its focus, in order to leverage its existing resources. Management believes that it has excess capacity to handle these functions and has seen a sizable increase in interest in using its brokerage operation as awareness spreads in the Ulaanbaatar market. The Corporation intends to more actively target this brokerage opportunity now that its website is renewed and relaunched at www.MGGproperties.com.

Since inception, MGG has acquired a number of redevelopment properties. To date, the Corporation has also remodeled, rebuilt and completed additions on properties. During 2015, the Corporation spent substantial resources on redeveloping its Tuguldur retail center property; however these redevelopment efforts have been put on hold due to a slowing economy and uncertainty regarding the ability to lease added space due to the rapidly increasing vacancy level in the city. The Corporation did complete a 334 meter extension to Tuguldur during early 2016 and a lease was signed with a well-respected Mongolian tenant in early 2016. This tenant began to pay rent during the third quarter of 2016. Due to the project going over budget and the sizable decline in market rents from when the project began until a lease was signed, this development project did not hit internal return targets, further validating the Corporation's decision to cease all further development spending. As part of its cost savings initiative, the Corporation has eliminated its development department as it is expected that there will be no need for additional space in Ulaanbaatar for many years into the future. The Corporation is evaluating its development pipeline to assess if it should dispose of these assets as the Corporation will no longer have the internal resources to develop them and a monetization of these assets will increase the Corporation's liquidity.

Portfolio

Mongolia Growth Group's properties are located in the Downtown and the Central Business District of Ulaanbaatar.

Within the financial statements, MGG classifies properties in each of the following categories; Investment Properties, Property and Equipment, and Other Assets/Prepaid Deposits. Fluctuations in the values of the Corporation's property portfolio during the quarter can be attributed to changes in valuations, properties purchased and sold, and the change in value of the functional currency (Mongolian Tögrög) versus the Canadian dollar.

Investment Properties

Investment Properties include properties held to earn rental revenue, for capital appreciation, and/or for redevelopment. Investment Properties are initially valued at fair value, which is the purchase price plus any directly attributable expenditure eligible for capitalization. Investment Properties are subsequently valued at fair value, which reflects market conditions at the date of the statement of financial position.

The following table represents properties classified as Investment Properties, as of September 30, 2016:

	30-Sep-2016			31-Dec-2015		
	# of Properties	Value at 30-Sep-16 $CDN	Meters	# of Properties	Value at 31-Dec-15 $CDN	Meters
Residential	1	195,327	-	1	285,170	-
Office	3	3,426,626	2,650	3	4,649,657	2,650
Retail	23	17,763,425	7,987	26	25,842,765	8,532
Land and Redevelopment	4	11,266,214	7,086	4	15,696,158	7,058
Total	**31**	**32,651,592**	**17,723**	**34**	**46,473,750**	**18,240**

Overall, the investment portfolio performed substantially better than similar properties in Ulaanbaatar, with the exception of Tuguldur, which has continued to struggle with high turnover, though it has seen some recent improvement near the end of the third quarter. The Corporation believes that this is a result of mistakes made during the initial lease-up phase, compounded by the fact that many long-term leases were signed at below-market rents. This asset has now stabilized at average weekly occupancy rates of between 80% and 90%. Additionally, the Corporations' headquarters building has seen an increase in vacancy as a sizable tenant ended its lease in March 2016 and the Corporation has struggled to lease the space since this time.

Property and Equipment

Properties are classified as Property and Equipment if the Corporation occupies more than 10% of the property. Properties classified as Property and Equipment are measured at cost less accumulated depreciation, less any accumulated impairment losses. All repairs and maintenance costs to these properties are charged to the consolidated statement of operations during the period in which they occur unless eligible for capitalization.

The following table represents properties classified as Property and Equipment, as of September 30, 2016:

	30-Sep-2016			31-Dec-2015		
	# of Properties	Value at 30-Sep-16 $CDN	Meters	# of Properties	Value at 31-Dec -15 $CDN	Meters
Residential	1	78,524	-	1	99,316	-
Office	1	1,931,474	1,300	1	2,665,989	1,300
Retail	-	-	-	-	-	-
Land and Redevelopment	-	-	-	-	-	-
Total	**2**	**2,009,998**	**1,300**	**2**	**2,765,305**	**1,300**

Other Assets/ Prepaid Deposits

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

The following table represents properties classified as Prepaid Deposits on Investment Properties, as of September 30, 2016:

	30-Sep-2016			31-Dec-2015		
	# of Properties	Value at 30-Sep-16 $CDN	Meters	# of Properties	Value at 31-Dec-15 $CDN	Meters
Residential	-	-	-	-	-	-
Office	-	-	-	-	-	-
Retail	-	-	-	-	-	-
Land and Redevelopment	1*	49,669	-	1*	69,727	-
Total	**1**	**49,669**	**-**	**1**	**69,727**	**-**

* These land assets are part of the land packages outlined in the Investment Properties section and are not standalone land packages.

Occupancy Rates

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

	30 –Sept 2016	31 –Dec- 2015	30 –Sept- 2015
	Occupancy Rate*	Occupancy Rate*	Occupancy Rate*
Office	75.3%	91.7%	89.7%
Retail (excluding Tulguldur)	100%	84.4%	97.1%
Weighted Average**	**87.6%**	**87.4%**	**93.9%**

* Occupancy rates are calculated on a per meter basis;

** Weighted Average is calculated based on total meters available for lease

Demand for retail space has remained strong, despite a difficult economy. Occupancy levels for the Corporation's Office space, excluding its headquarters building, which lost a major tenant at the beginning of the year, have been good even while vacancy levels throughout the city have increased significantly as additional supply has entered the market. Management attributes its success due to increased marketing initiatives and realistic price expectations.

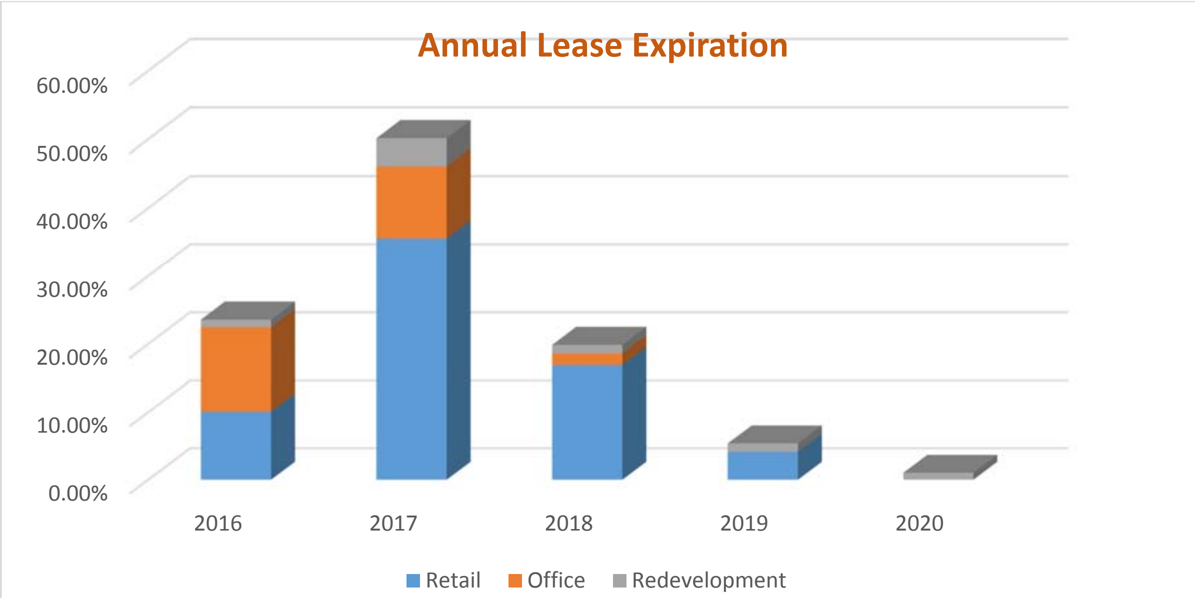
The Corporation would like to caution shareholders that it is experiencing abnormally high levels of tenant turnover and occupancy levels can fluctuate dramatically between months as tenants break leases. It is expected that turnover will increase as the economy continues to decline and it is uncertain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

Leasing Schedule

In order to reduce the Corporation's exposure to currency fluctuations and inflation, the Corporation targets shorter lease durations with most tenants. Management's experience is that this practice is in line with the local industry standards with the expectation that when MGG leases expire, existing tenants are offered the second right to re-lease the space at then prevailing market rates.

During the fourth quarter of 2016, approximately 699 meters of leases, representing about $12,000 in monthly rental revenue will expire.

A summary of the Corporation's lease expirations by asset class is presented in the chart below:



The weighted average remaining lease term decreased to 11.4 months at September 31, 2016, from 12.3 months at September 31, 2015, and 18.5 months at September 31, 2014 calculated as a percentage of monthly revenues. An increasing number of tenants are on month-to-month contracts as they evaluate if they can sustain their businesses, given the continued decline in economic activity. We anticipate that a number of these tenants will cease to be tenants in future months.

Most Recent Retail and Office Lease Signings

Lease Type	Lease Renewal Date	SqM	Old Price Per Meter (Mongolian Tögrög)	New Price Per Meter (Mongolian Tögrög)	Percent Increase in MNT (decrease)
Office Lease	Aug-16	109	30,000	27,000	-10.0%
Office Lease	Sept-16	24	30,837	25,000	-18.9%
Retail Space	Sept-16	138	29,166	21,739	-25.5%
Office Lease	Sept-16	43	30,000	25,000	-16.7%
Office Lease	Sept-16	28	30,837	25,000	-18.9%
Office Lease	Sept-16	24	27,000	25,000	-7.4%
Retail Lease	Sept-16	30	13,333	13,333	0.0%
Office Lease	Nov-16	22	30,837	22,727	-26.3%
Office Lease	Nov-16	10	30,000	25,000	-16.7%
Office Lease	Nov-16	12	35,000	35,000	0,0%
Office Lease	Nov-16	14	30,837	20,000	-35.1%
Office Lease	Nov-16	38	35,000	30,000	-14,3%
Retail Space	Nov-16	95	33,613	26,260	-21.9%
Office Lease*	Nov-16	54	30,837	20,370	-33.9%

Section 3 - Results of Operations

Selected Quarterly Financial Information (CAD)

	Quarter ended 30-Sept- 2016 ($)	Quarter ended 30-Sept 2015 ($)	Quarter ended 30-Sept- 2014 ($)
Revenue and other income	433,302	340,871	424,787
Income			
Income/ (loss) from continuing operations attributable to equity holders of the Corporation	434,059	(2,701,490)	(1,497,469)
Net Income/ (loss) attributable to equity holders of the Corporation	434,059	(2,701,490)	(1,497,469)
Comprehensive income/ (loss) attributable to equity holders of the Corporation	(4,444,126)	(355,418)	506,115
Basic earnings per share ("EPS") (in CAD)			
Net income/ (loss)	0.01	(0.08)	(0.04)
Diluted EPS (in CAD)			
Net Income/ (loss)	0.01	(0.08)	(0.04)
Balance Sheet			
Total Assets	36,767,186	54,495,461	55,523,885
Total liabilities	1,268,278	1,895,589	5,830,094
Total Equity	35,498,908	52,599,872	49,693,791
Shares Outstanding at quarter end	35,372,099	35,512,829	34,848,745
Book Value per share	1.00	1.48	1.43

Rental Revenue from Investment Properties

Rental revenue from Investment Properties decreased from $478,747 in the third quarter of 2015 to $429,241 the third quarter of 2016. The decrease during the quarter was primarily attributable to leases being renewed at lower rates as well as a decrease in the local currency versus the Canadian dollar.

Revenue from Other Sources

Revenue from other sources consists of late fees and other income. For the third quarter of 2016, revenues from other sources totaled $4,061 compared to $16,276 for the third quarter of 2015. The majority of this decrease was due to a decrease in penalty income received during the quarter.

Gain/Loss on disposal of Investment Properties

During the quarter, the Corporation did not dispose of any properties, while it disposed of 5 properties for a loss of $154,152 during the third quarter of 2015.

Fair Value Adjustment on Investment Properties

The estimate of fair value of investment properties is a critical accounting estimate to the Corporation. An external appraiser estimates the fair value of the majority of the Investment Properties annually, the remainder are appraised internally by Management. The fair value of investment properties is based on the nature, location and condition of the specific asset. The fair value of investment properties represents an estimate of the price that would be made in an arm's length transaction between knowledgeable, willing parties. The Corporation operates in the emerging real estate market of Mongolia, which given its current economic and industry conditions, has an increased inherent risk given the lack of reliable and comparable market information. For the quarter ending September 30, 2016, the Company did not have a fair value adjustment to its investment portfolio. (Q3 2015 – $2,271,061).

Unrealized short-term investment gain

During the quarter, one of the Corporation's offshore subsidiaries purchased 15,000,000 shares of Mongolian Mining Corporation (Ticker Symbol 975: Hong Kong Stock Exchange) at an average price of approximately 11.3 Hong Kong cents. At the end of the quarter, the shares closed at 31.5 Hong Kong cents, leading to a pre-tax gain after currency adjustments of CDN $516,617. The Corporation currently has no other publicly traded security positions, but continues to evaluate potential additional investments in publicly traded securities.

Income Taxes

The Corporation has subsidiaries in Mongolia that are subject to income taxes and, accordingly, has provided for current and deferred income taxes with respect to those subsidiaries. The deferred tax expense of $19,721 for the three months ended September 30, 2016 (Q3 2015 -53.292 income), is due to a difference in the fair value of the properties Mongolia and depreciation claimed for income tax purposes. The deferred tax liability on the balance sheet decreased $97,084 during the quarter (Q3 2015 -4,140). The foreign exchange impact of the deferred tax liability of $116,805 (Q3 2015 – 49,152) for the three months ended September 30, 2016, is recorded in other comprehensive loss.

Currency

The Mongolian Tögrög has fluctuated significantly over the past five years. The Mongolian Tögrög has depreciated 6.8%, 5.1%, 11.5% and 5.3% in 2011, 2012, 2013 and 2014 respectively versus the Canadian Dollar while appreciating 11.4% in 2015. During the third quarter of 2016, the local currency declined 14.3% from 1,521 to 1,739. The Mongolian Tögrög has declined 20.9% versus the Canadian Dollar during the first three quarters of the year and has continued to decline subsequent to the end of the quarter. The depreciation of the Mongolian Tögrög tends to negatively impact the Corporation's financial performance including its AFFO as approximately half of the Corporation's expenses are in U.S. and Canadian Dollars while all of the Corporation's revenues are in Mongolian Tögrög. The fluctuation in the currency is reflected in the Corporation's financial statements, most notably in the investment property portfolio, as it is the largest item on the Balance Sheet. Note 5 in the Financial Statements discloses the foreign exchange adjustment, which flows through the investment property classification during each period. During the nine month period, the Corporation recognized a foreign exchange adjustment loss of $7,217,857 (2015 gain of $6,144,456) to its investment property portfolio.

Operating Profit/(Loss)

The Company generated an Adjusted EBITDA loss of $21,508 during Q3 2016 compared to a loss of $312,591 during Q3 2015. This reflects overall cost reduction in the quarter compared to the same quarter last year offset by lower revenue.

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

	Q3 2016 $	Q3 2015 $
Net Income / (loss) before Income taxes	467,751	(2,760,214)
Add Depreciation and Amortization	30,239	33,576
Subtract Interest and Investment Income	519,498	(3,596)
EBITDA	**(21,508)**	**(2,730,234)**
Subtract Fair Value Adjustment	-	2,271,061
Add Share Based Payments	-	146,582
Total Adjusted EBITDA	**(21,508)**	**(312,591)**

Funds From Operations ("FFO")

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

For the three months ended September 30, 2016, improved from a loss of $151,707 in Q3 2015 to a loss of $46,238 in Q3 2016. The increase is primarily due to a decrease in expenses.

Adjusted Funds From Operations ("AFFO")

Since FFO does not consider capital expenditures and other one-time expenses. AFFO is presented herein as an alternative measure of determining available cash flow. AFFO is not defined by IFRS but the Corporation follows recommendations by REALpac. During Q3 2016, the Company's AFFO numbers increased from a loss of $146,415 in Q3 2015 to a loss of $46,238 in Q3 2016. It should be noted that FFO and AFFO may include certain one-time costs related to the Corporation's cost cutting plan that were not sufficiently large enough to be broken out, but their exclusion would have further reduced the Corporation's AFFO loss for the quarter.

Reconciliation of FFO and AFFO

The analysis below shows a reconciliation of the Corporation's net income to FFO and AFFO for the quarters ended September 30, 2016 and September 30, 2015;

	Quarter ended 30-September 2016 ($)	Quarter ended 30-September 2015 ($)
Net income/ (loss) for the period	**434,059**	**(2,701,490)**
Add (deduct) items not affecting case		
Unrealized Change in fair value of investment properties	-	2,271,061
Unrealized change in short-term investments	(516,617)	-
Depreciation and amortization of Investment properties	16,599	19,405
Gains/losses from sales of investment properties	-	154,152
Tax on gains or losses of sales on investment property	-	11,875
Deferred Taxes*	19,721	(53,292)
Share based payments	-	146,582
FFO	**(46,238)**	**(151,707)**
Add (deduct)		
Development costs not capitalized	-	5,292
AFFO	**(46,238)**	**(146,415)**
Per Unit – basic		
FFO	(0.00)	(0.00)
AFFO	(0.00)	(0.00)
Per Unit – diluted		
FFO	(0.00)	(0.00)
AFFO	(0.00)	(0.00)

*As of Q3 2016, the Company changed its policy on the calculation of deferred taxes in the calculation of FFO and AFFO. The Company now calculates the change in deferred taxes by adding back the effects of foreign exchange moments to change in deferred tax on the balance sheet. As such, the Q3 2015 deferred tax number does not match the number reported in the Q3 2015 MD&A (-$4,140). For further information on the calculation of deferred tax, please see the income tax note on page 16 of the MD&A.

Net Income

For the quarter ending September 30, 2016, the Corporation incurred a net gain of $434,059 compared to a net loss of $2,701,490 for the quarter ending September 30, 2015. The significant improvement is due to a significant unrealized short-term investment gain incurred during the quarter and a large unrealized loss on fair value adjustment incurred in Q3 2015 whereas the Company did not incur a fair value adjustment during this quarter.

Management cautions investors that the Corporation is primarily focused on increasing shareholder value on a per share basis. This means that operationally, management is more concerned with long-term asset appreciation at the expense of short-term cash flow. Management expects this to be the case for the foreseeable future.

Section 4 - Financial Condition

Cash Flow

Mongolia Growth Group's primary sources of capital are cash generated from equity issuance, financing and asset sales. Management expects to meet all of the Corporation's obligations through current cash and cash equivalents along with cash flows from asset sales.

The following table provides an overview of the Corporation's cash flows from operating, financing and investing activities for the nine month period ended September 30, 2016 and September 30, 2015.

Net change in cash related to:	September 30, 2016 ($)	September 30, 2015 ($)
Operating	(197,377)	(1,161,102)
Investing	350,496	642,249
Financing	(161,499)	-
Effects of exchange rates on cash	(105,070)	71,871
Net change in cash during the period	**(113,450)**	**(446,982)**

Overall, the Corporation experienced an improvement in cash outflows inflows during the first nine months of 2016 primarily due to significant reduction in operating cash outflows. The changes in components of cash flows for the period ended September 30, 2016 compared to the period ended September 30, 2015 were the result of the following factors:

- **Operating** – Operating cash outflows during the nine month period decreased significantly mainly due to a positive change in non-cash working capital as well as lower operating costs.
- **Investing** – Investing cash inflows decreased during the nine month period due to short-term investments in marketable securities made during the quarter.
- **Financing** – Financing cash outflows occurred due to the repurchase of 441,000 shares during the nine month period. The Corporation did not repurchase any shares during the same period in 2015.

As at September 30, 2016, the Corporation had $921,822 in cash and cash equivalents. Due to the expectation that AFFO will worsen in future quarters, the Corporation is focused on increasing liquidity and cash reserves in Canada through asset sales, in case banks refuse to allow money to leave Mongolia, the Corporation is focused on increasing its cash reserves outside of Mongolia.

Total Assets

As of September 30, 2016, the Corporation had $1,981,103 in Current Assets of which approximately 47% were held in cash and cash equivalents (Q4 2015 –$1,363,271 and 76%). The decrease in cash percentage is due to the Corporation's short-term investments which Management considers to be liquid and available to be sold at any time should the Corporation require cash.

The majority of the Corporation's assets are classified as Non-Current Assets, mainly Investment Properties. Investment Properties are carried at Fair Market Value and decreased throughout the quarter by way of the depreciation of the local currency.

In the third quarter of 2016, assets classified as Investment Properties decreased to $32,651,592 from $46,473,749 as at December 31, 2015, primarily due to a significant impairment on the value of its Investment properties incurred during the second quarter of 2016 as well as a 20.9% decline in the currency since the beginning of the year. Property and Equipment decreased to $2,134,491 (December 31, 2015 - $2,978,150) due to an impairment on the value of two properties classified as Property and Equipment taken during the quarter as well as a decline in the currency.

Total Financial Liabilities

As of September 30, 2016, the Corporation had current liabilities of $587,792 (December 31, 2015 – $850,716) consisting primarily of payables and accrued liabilities.

As of September 30, 2016, the Corporation had no long-term debt outstanding; as such the only non-current liability on the balance sheet was deferred income taxes. Deferred tax liabilities decreased during the period to $680,486 in Q3 2016 (Q4 2015 - $990,109) due to the decrease in value of the Corporation's property portfolio.

The Corporation considers all other current cash commitments to be immaterial and operational in nature.

Total Equity

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

Outstanding	30-Sept 16	31-Dec-15
Common shares	35,372,099	35,512,829
Options to buy common shares	3,363,000	3,288,000

Options Outstanding

At period-end, the Corporation had 3,363,000 options that were exercisable (December 31, 2015 – 2,510,500).

The Chart below shows the historical option grants and options outstanding as of September 30, 2016.

Option Price	Granted	Expired	Forfeited	Cancelled	Exercised	Total Options Outstanding	Total Exercisable	Non exercisable
1.64	100,000	-	-	-	100,000	-	-	-
1.75	300,000	50,000	-	-	250,000	-	-	-
1.9	1,363,000	-	85,000	-	200,000	1,078,000	1,078,000	-
4.2	900,000	205,000	408,000	287,000	-	-	-	-
4.77	175,000	20,000	100,000	55,000	-	-	-	-
4.25	150,000	-	50,000	95,000	-	5,000	5,000	-
4.0	190,000	-	-	190,000	-	-	-	-
4.13	475,000	125,000	-	275,000	-	-	-	-
1.09	375,000	-	-	-	-	375,000	375,000	-
0.72	935,000	-	20,000	-	-	915,000	915,000	-
0.74	640,000	-	-	-	-	640,000	640,000	-
0.38	350,000	-	-	-	-	350,000	350,000	-
Total	5,953,000	400,000	738,000	902,000	550,000	3,363,000	3,363,000	-

Acquisitions and Dispositions

During the nine months of 2016, the Corporation did not purchase any properties and spent a net amount of $22,617 on capital expenditures compared to capital expenditures of $522,138 during the first nine months of 2015 spent to further develop one of its redevelopment assets.

During the first nine months of 2016, three investment property were sold for cash considerations of $849,560 resulting in a net loss of $161,253 on the transactions. In comparison, during the nine months of 2015, nine investment properties were sold for cash consideration of $1,510,468 resulting in net loss of $138,977 on these transactions.

Off-Balance Sheet Items

As of September 30, 2016 the Corporation had no off-balance sheet items.

Events Subsequent to Quarter End

The Mongolian Tögrög has been on a steady decline, decreasing to 1,800 on November 14, 2016 from 1,739 on September 30, 2016. As the Mongolian Tögrög decreases in value against the Canadian dollar, it normally has the effect of reducing revenues when converted into Canadian Dollars. Simultaneously, it leads to a deterioration in operating income as approximately half of the Corporation's expenses are in Canadian and U.S. Dollars.

As the currency depreciates, the Corporation has experienced some difficulty converting Mongolian Tögrögs into U.S. Dollars as there appears to be a shortage of U.S. Dollars at the local banks. Management is continuing to closely monitor the situation and plans on converting its local currency in excess of working capital needs into U.S. Dollars and sending the money to its Canadian headquarters.

On October 28, 2016, the Corporation signed a Memorandum of Understanding to sell a property valued at $814,351 for $1,339,600 cash plus various additional properties of an indeterminate value. A deposit of $669,800 has been received to date.

Following an internal review in early 2015, the Corporation determined that it had been overpaying certain taxes to the Canadian government during the period from 2011 until early 2015. Subsequent to the end of the third quarter, the Corporation was informed by Canadian Tax authorities that following an audit, it was determined that the Tax Authorities agreed with the Corporation's findings related to this tax issue. On October 3, 2016, the Corporation received a refund for $366,001. The Corporation intends to continue to monitor its tax liabilities and it is impossible at this time to determine if there will be any additional changes to past or future liabilities.

During the month of October, the Corporation purchased 285,000 shares under its Normal Course Issuer Bid (NCIB) and cancelled 108,000 previously issued shares.

Section 5 - Quarterly Information

Quarterly Results

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

	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
Revenue	433,302	338,203	490,160	526,949	340,871	501,936	577,752	316,712
Net income (loss)	434,059	(6,017,609)	(275,372)	(5,503,493)	(2,701,490)	(1,352,996)	(372,991)	117,251
Income (loss) per common share	0.01	(0.17)	(0.01)	(0.16)	(0.08)	(0.04)	(0.01)	0.00
Total Assets	36,767,186	41,480,240	46,241,247	50,815,170	54,495,461	54,790,433	55,548,676	54,106,591
Weighted Average Shares (No.)	35,430,404	35,444,217	35,512,829	35,315,357	35,248,810	35,114,612	34,848,745	34,652,992
Ending Shares (No.)	35,372,099	35,397,599	35,512,829	35,512,829	35,512,829	35,512,829	34,848,745	34,848,745

Section 6 – Critical Estimates

Critical Accounting Estimates

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

The critical estimates made in the preparation of the consolidated financial statements include the following:

Fair Value Adjustment on Investment Properties

The estimate of fair value of investment properties is the most critical accounting estimate to the Corporation. An external appraiser estimates the fair value of the majority of the Investment Properties annually, the remainder are appraised internally by Management. The fair value of investment properties is based on the nature, location and condition of the specific asset. The fair value of investment properties represents an estimate of the price that would be made in an arm's length transaction between knowledgeable, willing parties. The Corporation operates in the emerging real estate market of Mongolia, which given its current economic and industry conditions, has an increased inherent risk given the lack of reliable and comparable market information. For the three month period ending September 30, 2016, the Corporation did not have a fair value adjustment on its investment properties (Q3 2015 – $2,271,061 loss).

Accuracy of Share Based Compensation Expense

The estimate of the ultimate expense arising from share based compensation plans is another critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the share based compensation expense recorded by the Corporation. The ultimate expense is estimated by using a number of key assumptions such as the expected volatility of the share price, the dividends expected on the shares, the risk-free interest rate for the expected life of the options and future forfeiture rates. For the quarter ending September 30, 2016, the cost of the share based payments were nil (Q3 2015 - $146,582).

Operating Environment of the Corporation

Mongolia displays many characteristics of an emerging market including relatively high inflation and interest rates. The tax and customs legislation in Mongolia is subject to varying interpretations and frequent changes. The future economic performance of Mongolia is tied to continuing demand from China and increasing global prices for commodities as well as being dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government of Mongolia together with tax, legal, regulatory and political developments. Management is unable to predict all developments that could have an impact on the Mongolian economy and consequently what effect, if any, they could have on the future financial position of the Corporation. Recently, the Corporation has had difficulty in converting Mongolian Tögrög to U.S. Dollars at large Mongolian banks. There can be no certainty regarding the ability to convert or wire money from Mongolia in the future.

Assets and Liabilities Held for Sale

The Corporation makes judgments in determining whether certain non-current assets or group of assets and liabilities meet the specified criteria under IFRS for classification as held for sale. At September 30, 2016, the Corporation has identified six investment properties which meet the specified criteria and has accounted for them as assets held for sale.

Deferred Tax Assets

Deferred tax assets are recognized to the extent that it is probable that deductible temporary differences will reverse in the foreseeable future and there will be sufficient future taxable profits against which the deductible temporary differences can be utilized. The Corporation reviews the carrying amount of deferred tax assets at the end of each reporting period which is reduced to the extent that it is no longer probable that deferred tax assets recognized will be recovered, or increased to the extent that sufficient future taxable profit will be available to allow all or part of a previously unrecognized deferred tax asset to be recovered. Estimates of future taxable income are based on forecasted cash flows from operations, available tax planning opportunities and expected timing of reversals of taxable temporary differences.

Section 7 – Risk Management

Credit risk

The Corporation's exposure to credit risk is managed through risk management policies and procedures with emphasis on the quality of the investment portfolio. For the quarter, most of the Corporation's investments consisted of institutional deposits. The majority of the funds invested are held in reputable Canadian or Mongolian banks. Recently, there have been rumors that various commercial banks in Mongolia could fail. Additionally, it has been rumored that the Mongolian Central Bank is out of U.S. Dollars and not honoring swap agreements with local Mongolian commercial banks. There is no way to tell if these rumors are accurate however, starting in early July, the Corporation has had difficulty in converting Mongolian Tögrög into U.S. Dollars. If banks are unwilling or unable to give the Corporation access to its U.S. Dollar deposits, the Corporation could experience severe liquidity issues.

The Corporation is exposed to credit risk as an owner of real estate in which tenants may become unable to pay contracted rents. The Corporation mitigates this risk by carrying out due diligence on significant tenants. The Corporation's properties are diversified primarily across commercial classes. Historically, bad debts have not been a substantial expense for the Corporation. Recently, the Corporation has experienced an increase in late rental payments. The Corporation believes that it will collect all of this debt, but there is no certainty that this will occur.

Liquidity risk

The Corporation does not believe its current maturity profile lends itself to any material liquidity risk, taking into account the level of cash and cash equivalents, investments and marketable securities and long-term debt as at September 30, 2016.

As at September 30, 2016, MGG had working capital of $1,393,311 (December 31, 2015- $512,555) comprised of cash and cash equivalents, investments and marketable securities, other assets, net of trade and accrued liabilities, income taxes payable and long term debt (current portion).

Market risk

Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate due to changes in market prices. The value of the financial instruments can be affected by changes in interest rates, foreign exchange rates, and equity and commodity prices. The Company is exposed to market risk in trading its investments and unfavorable market conditions could result in dispositions of investments at less than favorable prices.

Currency risk

The Corporation owns properties located in Mongolia and collects rental revenue in Mongolian Tögrög, and is therefore subject to foreign currency fluctuations that may impact its financial position and results. Changes in the Mongolian Tögrög, U.S. dollar and Canadian dollar foreign currency exchange rates impact the fair value of securities denominated in Mongolian Tögrög and in U.S. dollars. All of the Corporation's revenues are received in Mongolian Tögrög while approximately half of the Corporation's expenses are incurred in U.S. and Canadian Dollars. Therefore, a depreciation in the Mongolian Tögrög against the U.S. and Canadian Dollar will reduce AFFO. The exchange rate continues to be volatile and there is an expectation that the rate of currency depreciation could increase.

Economic Volatility and Uncertainty

Over the past few years, economic volatility and uncertainty around the world has contributed to dramatically restricted access to capital and reduced capital markets activity for more speculative businesses. The Corporation's management believes that the Corporation has sufficient resources to carry on its business and remain a going concern.

MGG holds the majority of its assets, investments and operations in the nation of Mongolia. Mongolia is presently experiencing drastic changes in its economy. Economic volatility and uncertainty in Mongolia could result in inflation, hyperinflation, economic stagnation, political extremism, and other similarly detrimental scenarios which could materially harm the Corporation.

Coinciding with the slowdown in the economy, Inflation has dropped significantly since the start of 2015 from 9.3% year over year in January 2015 to -0.7% year over year in September 2016 according to the Bank of Mongolia.

Depending on the requirements of MGG's businesses, additional funds may be required to be raised in the capital markets and there is no guarantee that sufficient funds raised will be available to complete a financing required to augment the Corporation's operations.

Risks and Uncertainties

The Corporation, as part of its operations, carries financial instruments consisting of cash and cash equivalents, investments and marketable securities, accounts receivable, and trade payables and accrued liabilities. It is Management's opinion that the Corporation is not exposed to significant credit, interest or currency risks arising from these financial instruments except as otherwise disclosed in the notes to the Consolidated Financial Statements.

Further information related to Mongolia Growth Group Ltd. and the risks and uncertainties of MGG are filed on the System for Electronic Document Analysis and Retrieval ("SEDAR") and can be reviewed at comprehensive set of risk disclosures are included in the Corporation's most recently filed annual MD&A.

Financial Instruments

The Corporation's financial instruments consist of cash and cash equivalents, investments and marketable securities, accounts receivable, trade and accrued payables and long term debt. The Corporation is subject to interest risk as it earns interest income from its cash deposits. It is Management's opinion that the Corporation is not exposed to significant credit risks arising from these financial instruments and that the fair value of these financial instruments approximates their carrying values. Management believes that there are material currency risks associated to certain Financial Instruments of the Corporation as they are held in Mongolian Tögrög. For further discussion of financial instrument risks, see the Insurance and Financial Risk Management note.

Unless the context otherwise requires, references to the "Corporation" include the Corporation and its subsidiaries and affiliates collectively, including Mongolia Barbados Corp.

Changes in Investment Strategies

The Corporation may alter its investment strategies and restrictions without prior approval by shareholders to adapt to changing circumstances.

Possible Negative Impact of Regulation

The regulatory environment is evolving and changes to it may adversely affect the Corporation. To the extent that regulators adopt practices of regulatory oversight that create additional compliance, transaction, disclosure or other costs for the Corporation, returns of the Corporation may be negatively affected. In addition, the regulatory or tax environment for securities, derivatives and related instruments is evolving and may be subject to modification by government or judicial action that may adversely affect the value of the investments held by the Corporation. The effect of any future regulatory or tax change on the Corporation is impossible to predict.

Liquidity Risk

Under certain market conditions, such as during volatile markets or when trading in a security or market is otherwise impaired, the liquidity of the Corporation's portfolio positions may be reduced. In addition, the Corporation may from time to time hold large positions with respect to a specific type of financial instrument, which may reduce the Corporation's liquidity. During such times, the Corporation may be unable to dispose of certain financial instruments, including longer-term financial instruments, which would adversely affect its ability to rebalance its portfolio. In addition, such circumstances may force the Corporation to dispose of financial instruments at reduced prices, thereby adversely affecting its performance. If there are other market participants seeking to dispose of similar financial instruments at the same time, the Corporation may be unable to sell such financial instruments or prevent losses relating to such financial instruments. Furthermore, if the Corporation incurs substantial trading losses, the need for liquidity could rise sharply while its access to liquidity could be impaired. In addition, in conjunction with a market downturn, the Corporation's counterparties could incur losses of their own, thereby weakening their financial condition and increasing the Corporation's exposure to their credit risk.

Use of Derivatives

The Corporation may use derivative instruments. The use of derivatives in general presents additional risks to those applicable to trading only in the underlying assets. To the extent of the Corporation's investment in derivatives it may take a credit risk with respect to parties with whom it trades and may also bear the risk of settlement default. When used for hedging purposes, an imperfect or variable degree of correlation between price movements of the derivative instrument and the underlying investment sought to be hedged may prevent the Corporation from achieving the intended hedge effect or expose the Corporation to the risk of loss. In addition, derivative instruments may not be liquid at all times, so that in volatile markets the Corporation may not be able to close out a position without incurring a loss. No assurance can be given that short sales, hedging, leverage and other techniques and strategies utilized by the Corporation to hedge its exposure will not result in material losses.

Custody Risk and Broker or Dealer Insolvency

The Corporation does not control the custodianship of all of its assets. The Corporation's assets will be held in one or more accounts maintained for the Corporation by its broker or brokers. Such brokers are subject to various laws and regulations in various jurisdictions that are designed to protect their customers in the event of their insolvency. However, the practical effect of these laws and their application to the Corporation's assets are subject to substantial limitations and uncertainties. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a broker or any sub-custodians, agents or affiliates, it is impossible to generalize about the effect of their insolvency on the Corporation and its assets. Investors should assume that the insolvency of any of the brokers or such other service providers would result in the loss of all or a substantial portion of the Corporation's assets held by or through such brokers and/or the delay in the payment of withdrawal proceeds.

Investment and Trading Risks in General

All trades made by the Corporation risk the loss of capital. The Corporation may utilize trading techniques or instruments, which can, in certain circumstances, maximize the adverse impact to which a client's account may be subject. No guarantee or representation is made that the Corporation's investment program will be successful, and investment results may vary substantially over time. Many unforeseeable events, including actions by various government agencies, and domestic and international economic and political developments may cause sharp market fluctuations which could adversely affect the Corporation's portfolio and performance.

General Economic and Market Conditions

The success of the Corporation's activities may be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, and national and international political circumstances. These factors may affect the level and volatility of securities prices and the liquidity of the Corporation's investments. Unexpected volatility or illiquidity could impair the Corporation's profitability or result in losses.

Issuer–Specific Changes

The value of an individual security or particular type of security can be more volatile than, and can perform differently from the market as a whole.

Portfolio Turnover

The Corporation has not placed any limits on the rate of portfolio turnover and portfolio securities may be sold without regard to the time they have been held when, in the opinion of the Corporation, investment considerations warrant such action. A high rate of portfolio turnover involves correspondingly greater expenses than a lower rate.

Liquidity of Underlying Investments

Some of the securities in which the Corporation may invest may be thinly traded. There are no restrictions on the investment of the Corporation in illiquid securities. It is possible that the Corporation may not be able to sell or repurchase significant portions of such positions without facing substantially adverse prices. If the Corporation is required to transact in such securities before its intended investment horizon, the performance of the Corporation, could suffer.

Highly Volatile Markets

The prices of financial instruments in which the Corporation's assets may be invested can be highly volatile and may be influenced by, among other things, specific corporate developments, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. The Corporation is subject to the risk of the failure of any of the exchanges on which the Corporation's positions trade or of their clearinghouses.

Emerging Markets

The Corporation may invest in the securities of companies which operate in some emerging markets. Operating in emerging markets involves additional risks because companies in emerging markets may be less regulated and not subject to the same standards, reporting practices and disclosure requirements that apply in more developed markets. In addition, some emerging markets and legal systems may not adequately protect investor rights.

Small- to Medium- Capitalization Companies

The Corporation may invest a portion of its assets in the securities of companies with small- to medium-sized market capitalizations. While the Corporation believes these investments often provide significant potential for appreciation, those securities may involve higher risks in some respects than do investments in securities of larger companies. For example, while smaller companies generally have potential for rapid growth, they often involve higher risks because they may lack the management experience, financial resources, product diversification, and competitive strength of larger companies. In addition, in many instances, the frequency and volume of their trading may be substantially less than is typical of larger companies. As a result, the securities of smaller companies may be subject to wider price fluctuations. When making large sales, the Corporation may have to sell portfolio holdings at discounts from quoted prices or may have to make a series of small sales over an extended period of time due to the trading volume of smaller company securities.

Fixed Income Securities

The Corporation may occasionally invest in bonds or other fixed income securities of issuers, including, without limitation, bonds, notes and debentures issued by corporations. Fixed income securities pay fixed, variable or floating rates of interest. The value of fixed income securities in which the Corporation invests will change in response to fluctuations in interest rates. In addition, the value of certain fixed-income securities can fluctuate in response to perceptions of credit worthiness, political stability or soundness of economic policies. Fixed income securities are subject to the risk of the issuer's inability to meet principal and interest payments on its obligations (i.e., credit risk) and are subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (i.e., market risk). If fixed income investments are not held to maturity, the Corporation may suffer a loss at the time of sale of such securities.

Equity Securities

To the extent that the Corporation holds equity portfolio investments, or short positions in equities, it will be influenced by stock market conditions in those jurisdictions where the securities held by the Corporation, are listed for trading and by changes in the circumstances of the issuers whose securities are held by the Corporation.

Options

Selling call and put options is a highly specialized activity and entails greater than ordinary investment risk. The risk of loss when purchasing an option is limited to the amount of the purchase price of the option, however investment in an option may be subject to greater fluctuation than an investment in the underlying security. In the case of the sale of an uncovered option there can be potential for an unlimited loss. To some extent this risk may be hedged by the purchase or sale of the underlying security.

Shorting

Selling a security short ("shorting") involves borrowing a security from an existing holder and selling the security in the market with a promise to return it at a later date. Should the security increase in value during the shorting period, losses will incur to the Corporation. There is in theory no upper limit to how high the price of a security may go. Another risk involved in shorting is the loss of a borrow, a situation where the lender of the security requests its return. In cases like this, the Corporation, must either find securities to replace those borrowed or step into the market and repurchase the securities. Depending on the liquidity of the security shorted, if there are insufficient securities available at current market prices, the Corporation, may have to bid up the price of the security in order to cover the short position, resulting in losses to the Corporation.

Trading Costs

The Corporation may engage in a high rate of trading activity resulting in correspondingly high costs being borne by the Corporation.

Currency and Exchange Rate Risks

The Corporation's assets will be denominated in multiple currencies. The Corporation will report their results in Canadian dollars. The Corporation expects to report allocations of profit and loss for income tax purposes in Canadian dollars. Changes in currency exchange rates may affect the value of the Corporation's portfolio and the unrealized appreciation or depreciation of investments.

Leverage

The Corporation may use financial leverage by borrowing funds against the assets of the Corporation. Leverage increases both the possibilities for profit and the risk of loss for the Corporation. From time to time, the credit markets are subject to periods in which there is a severe contraction of both liquidity and available leverage. The combination of these two factors can result in leveraged strategies being required to sell positions typically at highly disadvantageous prices in order to meet margin requirements, contributing to a general decline in a wide range of different securities. Illiquidity can be particularly damaging to leveraged strategies because of the essentially discretionary ability of dealers to raise margin requirements, requiring leveraged strategy to attempt to sell positions to comply with such requirements at a time when there are effectively no buyers in the market at all or at any but highly distressed prices. These market conditions have in the past resulted in major losses. Such conditions, although unpredictable, can be expected to recur.

Internal Controls over Financial Reporting

Changes in securities laws no longer require the Chief Executive Officer and Chief Financial Officer of junior reporting issuers to certify that they have designed internal control over financial reporting, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards.

Instead, an optional form of certification has been made available to junior reporting issuers and has been used by the Corporation's certifying officers for the September 30, 2016 interim filings. The new certification reflects what the Corporation considers to be a more appropriate level of CEO and CFO certification given the size and nature of the Corporation's operations. This certification requires the certifying officers to state that:

(i) they have reviewed the interim MD&A and consolidated financial statements;

(ii) they have determined that there is no untrue statement of a material fact, or any omission of material fact required to be stated which would make a statement or its omission misleading in light of the circumstances under which it was made within the interim MD&A and consolidated financial statements;

(iii) based on their knowledge, the interim filings, together with the other financial information included in the interim filings, fairly present in all material respects the financial condition, results of operations and cash flows of the Corporation as of the date and for the periods presented in the filings.

Recent Accounting Pronouncements

IFRS9, *Financial Instruments* ("IFRS9"), On July 24, 2014, the IASB issued IFRS 9, "*Financial Instruments*" ("IFRS 9") to replace International Accounting Standard 39, *"Financial Instruments: Recognition and Measurement*". IFRS 9 is effective for years beginning on or after January 1, 2018. Early adoption is permitted if IFRS 9 is adopted in its entirety at the beginning of a fiscal period. The Corporation is currently evaluating the impact of adopting IFRS 9 on the Consolidated Financial Statements.

The Corporation is currently evaluating the impact of IFRS 9 on its condensed consolidated interim financial statements.

In May 2014, the IASB issued IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15"), a new standard that specifies the steps and timing for entities to recognize revenue as well as requiring them to provide more informative, relevant disclosures, IFRS 15 supersedes IAS 11, Construction Contracts, and IAS 18, Revenue, as well as various IFRIC and SIC interpretations regarding revenue. Adoption of IFRS 15 is mandatory and will be effective for the Corporation's beginning on September 1, 2017, with earlier adoption permitted. The Corporation is assessing the impact of adopting this standard on its financial statements.

Supplemental CEO Disclosure

On August 5, 2015, Harris Kupperman, Chairman and CEO of the Corporation gave an interview on youtube.com with Mariusz Skonieczny during which he noted that "If you look at our cost structure now, it's basically dropped by half" and "Overall we've taken our losses down from over $200,000 per month into the tens of thousands, and I think that by Q3 it's into the low tens of thousands per month." The Corporation wishes to notify shareholders that these numbers were in reference to future AFFO trends and expenditures before non-cash items along with non-capitalized development expense. These are non IFRS metrics used by the real estate industry and relate to guidance previously issued in the 2015 Annual Shareholder Letter, issued as part of the Annual report along with other filings on SEDAR.

In the second quarter of 2015, expenditures referenced exclude non-cash costs including Share Based Compensation Expense, Depreciation, and non-Capitalized Development expense. After removing these expenses, the Q2 2015 expenses decreased from $1,074,684 to $660,932 which is a drop of 38% or approximately half before adjustments from currency changes.

In the second quarter of 2015, negative AFFO was $206,685 or approximately $68,895 a month. By the third quarter of 2015, negative AFFO had declined to $97,263 or $32,421 per month in line with the statement in the interview and in statements in prior publications filed on SEDAR

Additional Information

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