

Mongolia Growth Group Announces Significant Improvement In Performance Metrics and Second Quarter Results

TORONTO, CANADA, AUGUST 25, 2015 /FSC/ - Mongolia Growth Group Ltd.

(YAK - TSXV and MNGGF - USA) ("MGG") or ("the Company") a commercial real estate investment and development company participating in the dynamic growth of the Mongolian economy announces its financial results for the second quarter of 2015 and is pleased to report continued progress on improving operations and reducing costs as it targets positive Adjusted Funds From Operations (AFFO)*.

Highlights for the quarter:

- Continued improvement in financial and operational performance reduced negative AFFO by 60.7% to CDN \$206,685 compared to the second quarter of 2014 when negative AFFO was CDN \$525,961.
- Reduced expenses excluding non-cash non-capitalized development expense by 38% compared to the second quarter of 2014, despite a sizable increase in expenses associated with the operating of Tuguldur Center
- Ended the quarter with a tangible Net Asset Value (NAV) per share of CDN \$1.49

"We have spent the first half of 2015 focused on restoring our operations and reducing costs," said Harris Kupperman, Chairman and CEO of MGG. "While the results of these initiatives have led to both reduced costs and a dramatic reduction in negative AFFO I believe that there is still room for improvement in future quarters as we experience fewer one-time expenses associated with our cost cutting initiatives along with the phasing out of various legacy contracts that will not be renewed.

Now that we have gotten our house in order, our focus is on growing our revenues and ultimately becoming AFFO positive. I believe that there are many untapped opportunities to grow our business and we intend to embark on them in the second half of the year.

Over the next quarter, MGG expects to realize milestones in a number of areas:

- At the corporate level, we anticipate that our overhead expenses will finally normalize following a complete restructuring of our operations to dramatically reduce costs and improve efficiencies
- At the property level, we are targeting a more stable tenant base with lower turn-over as we re-structure the tenant mix at Tuguldur and re-lease a number of current vacancies
- The rollout of various fee based initiatives

In summary, we continue to successfully execute on our plan to restructure the company and become AFFO positive. A lot has been accomplished in a short time and we now have strong positive momentum on many fronts.”

Income Statement

Selected Quarterly Financial Information (CAD)

	Quarter ended 30-June- 2015 (\$)	Quarter ended 30-June - 2014 (\$)
Revenue		
Rental Income	493,678	461,653
Gain on disposal of investment property	-	59,218
Other revenue	9,258	21,967
Total revenue	501,936	542,837
Expenses		
Salaries and wages	258,922	336,248
Development expense	160,199	-
Share based payment	991,036	528,020
Depreciation	38,066	27,956
Professional fees	162,515	352,213
Travel	35,614	59,757
Advertising	7,965	53,499
Land and property tax	43,927	76,097
Insurance	15,557	17,526
Utility expense	40,091	31,893
Other Expenses	96,341	147,451
Total Expenses	1,850,233	1,630,660
Finance Expense	-	13,784
Net Investment Income	6,881	22,563
Unrealized gain on fair value adjustment on investment properties	-	6,112,423
Net Income (loss) before income taxes	(1,341,417)	5,033,379
Recovery of (provision for) income taxes	(11,579)	(485,715)
Net income (loss) for the period	(1,352,996)	4,547,664
Net income (loss) per share (basic)	(0.04)	0.13
Net income (loss) per share (diluted)	(0.04)	0.13

Funds From Operations (FFO) And Adjusted Funds From Operations (AFFO)*

The analysis below shows a reconciliation of the Corporation's net income to FFO and AFFO for the three months ended June 30, 2015 and June 30, 2014.

	Quarter ended	Quarter ended
	30-June- 2015	30-June- 2014
	(\$)	(\$)
Net Income for the period	(1,352,996)	4,547,664
<i>Add (deduct) items not affecting case</i>		
Unrealized Change in fair value of investment properties	-	(6,112,423)
Depreciation and amortization of Investment properties	18,483	14,072
Gains/losses from sales of investment properties	-	(59,218)
Tax on gains or losses of sales on investment property	-	24,501
Deferred Taxes	(23,407)	531,423
Impairment/losses on all real estate assets	-	-
Gains or losses on PPE properties	-	-
Share Based Payments	991,036	528,020
FFO	(366,884)	(525,961)
<i>Add (deduct)</i>		
Development costs not capitalized	160,199	-
Significant one time expenses	-	-
AFFO	(206,685)	(525,961)
<i>Per Unit - basic</i>		
FFO	(0.01)	(0.02)
AFFO	(0.01)	(0.02)
<i>Per Unit - Diluted</i>		
FFO	(0.01)	(0.02)
AFFO	(0.01)	(0.02)

Overall AFFO showed a dramatic improvement due to a 38% decline in expenses excluding share based payments, depreciation and non-capitalized development expenses. Throughout the quarter, the Company continued to recognize various expenses associated with its cost reduction program along with certain legacy expenses that are expected to be discontinued over the second half of 2015.

Balance Sheet

	30-June- 2015 (\$)	31-December - 2014 (\$)
Assets		
Current Assets		
Cash and cash equivalents	859,919	1,645,421
Other assets	386,280	1,027,703
	1,246,199	2,673,124
Non-current assets		
Investment properties	50,577,878	48,458,517
Property and equipment	2,966,356	2,974,950
Total assets	54,790,433	54,106,591
Liabilities		
Current liabilities		
Trade payables and accrued liabilities	738,408	1,925,655
Income taxes payable	220,554	151,346
	958,962	2,077,001
Non-current liabilities		
Deferred income tax liability	-1,023,001	1,099,141
Total liabilities	1,981,963	3,176,142
Equity		
Share capital	54,369,332	53,789,459
Contributed surplus	6,921,447	5,815,656
Accumulated other comprehensive loss	(5,688,696)	(7,607,039)
Deficit	(2,793,613)	(1,067,627)
Total equity	52,808,470	50,930,449
Total equity and liabilities	54,790,433	54,106,591

Portfolio Data

The following table represents properties classified as Investment Properties, as of June 30, 2015:

	2015			2014		
	# of Properties	Value at 30-Jun-15 \$CDN	Meters	# of Properties	Value at 31-Dec-14 \$CDN	Meters
Residential	2	370,497	-	2	357,160	-
Office	3	5,227,375	2,650	3	5,039,196	2,650
Retail	31	28,987,981	8,965	34	27,645,411	9,497
Land and Redevelopment	4	15,992,025	7,086	4	15,416,750	7,086
Total	40	50,577,878	18,701	43	48,458,517	19,233

Liquidity and Capital Resources

The Company ended the quarter with \$859,919 of cash and cash equivalents and no debt. As of June 30th, the Company was marketing seven properties with a carrying value in excess of CDN \$1 million. The Company has subsequently sold three of these properties for proceeds of approximately \$305,000.

* 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 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; (vi) impairment/losses on all real estate assets (vii) Gains or losses on PPE properties (viii) share based payments. “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 expenses and other adjustments as determined by Management.

For more information on the Company’s financial results, please see the financial statements and supplementary property data filed on SEDAR.

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Mongolia Growth Group Ltd. is a publicly traded and leading property investment and development company in Ulaanbaatar, Mongolia. MGG owns an extensive property portfolio in diversified segments of the property market, with an emphasis on institutional-grade commercial assets.

MGG undertakes its own property acquisitions, develops brownfield land assets and repositions outdated properties, relying on in-house services for all facets of both the investment portfolio and development side of the business. In addition, MGG acts as a full-service third-party provider for institutional clients and tailors transactions covering acquisition-to-suit, build-to-suit, as well as refurbish-to-suit, for property owners and major tenants.

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Forward-looking Information and Statements

Information and statements contained in this news release that are not historical facts are “forward-looking information” within the meaning of applicable Canadian securities legislation and involve risks and uncertainties. Forward-looking information and statements contained in this news release include information with respect to our intention to move forward into the construction of international standard properties in Mongolia.

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; and other risk factors more particularly described 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.

The TSXV has not reviewed and does not accept responsibility for the adequacy or accuracy of this release.