

Mongolia Growth Group Ltd.

Condensed Interim Consolidated Financial Statements
(Unaudited)

For the six months ended

June 30, 2022 and 2021

(Expressed in Canadian dollars)

Mongolia Growth Group Ltd.

Condensed Interim Consolidated Statements of Financial Position

(Unaudited)

As at June 30, 2022

(expressed in Canadian dollars)

	June 30, 2022 \$	December 31, 2021 \$
Assets		
Current assets		
Cash (note 5)	396,454	2,396,311
Marketable securities owned (note 7)	46,905,273	37,802,853
Unrealized gain on futures contract (note 7)	959,466	311,437
Due from broker (note 6)	43,441	2,320
Digital assets (note 9)	207,056	266,890
Other assets (note 10)	1,370,849	29,218
	<u>49,882,539</u>	<u>40,809,029</u>
Non-current assets		
Investment properties (note 11)	10,603,932	11,885,907
Other assets-long term receivable (note 10)	103,000	111,722
Property and equipment (note 12)	2,234,176	2,220,207
	<u>12,941,108</u>	<u>14,217,836</u>
Total assets	<u>62,823,647</u>	<u>55,026,865</u>
Liabilities		
Current liabilities		
Trade payables and accrued liabilities (note 13)	725,425	913,391
Unearned revenue (note 8)	1,725,208	1,035,471
Due to broker (note 6)	4,202,645	9,173,869
Marketable securities sold short (note 7)	9,947,338	2,652,329
Short Term CEBA loan (note 6)	60,000	60,000
Income taxes payable	-	4,274
	<u>16,660,616</u>	<u>13,839,334</u>
Non-current liabilities		
Deferred income tax liability	3,011,832	1,010,244
	<u>3,011,832</u>	<u>1,010,244</u>
Total liabilities	<u>19,672,448</u>	<u>14,849,578</u>
Equity		
Share capital (note 14)	50,972,545	51,004,122
Contributed surplus	6,849,976	6,849,976
Accumulated other comprehensive loss	(16,559,060)	(15,501,963)
Retained earnings (deficit)	1,887,738	(2,174,848)
	<u>43,151,199</u>	<u>40,177,287</u>
Total equity	<u>43,151,199</u>	<u>40,177,287</u>
Total equity and liabilities	<u>62,823,647</u>	<u>55,026,865</u>
Commitment and contingencies (note 17)		

Approved by the Board of Directors

“Rob Scott”

Director

“Harris Kupperman”

Director

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

Mongolia Growth Group Ltd.

Condensed Interim Consolidated Statement of Operations

(Unaudited)

For the six month period ended June 30

(expressed in Canadian dollars)

	For the three months ended June 30		For the six months ended June 30	
	2022	2021	2022	2021
	\$	\$	\$	\$
Revenue				
Rental income	201,015	144,581	405,086	289,003
Subscription revenue (note 8)	790,803	-	1,395,480	-
Other revenue	54,939	34,835	85,797	140,275
Total revenue	1,046,757	179,416	1,886,363	429,278
Expenses				
Salaries and wages	278,112	199,690	496,070	361,123
Other expenses (note 20)	723,022	393,403	1,262,620	748,676
Depreciation (note 12)	20,261	15,357	40,225	31,030
Total operating expenses	(1,021,395)	(608,450)	(1,798,915)	(1,140,829)
Unrealized gain (loss) on short term investments (note 7)	(4,543,820)	845,526	(225,722)	1,338,345
Realized gain on short term investments (note 7)	1,766,135	3,477,804	6,740,301	9,438,065
Unrealized loss on digital assets (note 9)	(182,995)	-	(161,388)	-
Foreign currency gain (loss)	7,089	(143,751)	(331,253)	(213,955)
Total other income	(2,953,591)	4,179,579	6,021,938	10,562,455
Net income before income taxes	(2,928,229)	3,750,545	6,109,386	9,850,904
Income tax (expense) recovery	710,010	6,407	(2,046,800)	21,210
Net income (loss) for the period	(2,218,219)	3,756,952	4,062,586	9,872,114
Net income per share				
Basic				
From net income (loss) for the period	(0.08)	0.13	0.15	0.33
Diluted				
From net income (loss) for the period	(0.08)	0.13	0.15	0.33

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

Mongolia Growth Group Ltd.

Condensed Interim Consolidated Statements of Comprehensive Loss

(Unaudited)

For the six month period ended June 30

(expressed in Canadian dollars)

	For the three months ended June 30		For the six months ended June 30	
	2022 \$	2021 \$	2022 \$	2021 \$
Net income for the period	(2,218,219)	3,756,952	4,062,586	9,872,114
Other comprehensive loss				
Items that may be subsequently reclassified to income or loss				
Unrealized losses on translation of financial statement operations with Mongolian Tögrög functional currency to Canadian dollar reporting currency	(350,297)	(259,423)	(1,057,097)	(457,636)
Total comprehensive income (loss)	(2,568,516)	3,497,529	3,005,489	9,414,478

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

Mongolia Growth Group Ltd.

Condensed Interim Consolidated Statements of Changes in Equity

(Unaudited)

For the six month period ended June 30

(expressed in Canadian dollars)

	Share capital \$	Contributed surplus \$	Accumulated other comprehensive loss \$	Deficit \$	Total \$
Balance at					
January 1, 2021	53,165,247	6,849,976	(15,444,642)	(17,724,154)	26,846,427
Net gain for the period	-	-	-	9,872,114	9,872,114
Other comprehensive loss	-	-	(457,636)	-	(457,636)
	53,165,247	6,849,976	(15,902,278)	(7,852,040)	36,260,905
Share repurchase	(1,046,323)	-	-	-	(1,046,323)
Balance at					
June 30, 2021	52,118,924	6,849,976	(15,902,278)	(7,852,040)	35,214,582

	Share capital \$	Contributed surplus \$	Accumulated other comprehensive loss \$	Retained earnings \$	Total \$
Balance at					
January 1, 2022	51,004,122	6,849,976	(15,501,963)	(2,174,848)	40,177,287
Net gain for the period	-	-	-	4,062,586	4,062,586
Other comprehensive loss	-	-	(1,057,097)	-	(1,057,097)
	51,004,122	6,849,976	(16,559,060)	1,887,738	43,182,776
Share repurchase	(31,577)	-	-	-	(31,577)
Balance at					
June 30, 2022	50,972,545	6,849,976	(16,559,060)	1,887,738	43,151,199

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

Mongolia Growth Group Ltd.

Condensed Interim Consolidated Statements of Cash Flow

(Unaudited)

For the six month period ended June 30

(expressed in Canadian dollars)

	June 30, 2022 \$	June 30, 2021 \$
Cash provided by (used in)		
Operating activities		
Net income for the period	4,062,586	9,872,114
Items not affecting cash		
Depreciation (note 12)	40,225	31,030
Deferred taxes	2,001,587	(22,218)
Unrealized loss (gain) on marketable securities (note 7)	225,722	(1,338,345)
Realized gain on marketable securities (note 7)	(6,740,301)	(9,438,065)
Unrealized loss on digital assets (note 9)	161,388	-
Unrealized FX gain on digital assets (note 9)	(6,645)	-
	(255,438)	(895,484)
Net change in non-cash working capital balances (note 18)	(5,826,234)	964,943
	(6,081,672)	69,459
Financing activities		
Share repurchase (note 14)	(31,577)	(1,046,323)
CEBA loan (note 6)	-	20,000
	(31,577)	(1,026,323)
Investing activities		
Net sale (purchase) of marketable securities	4,059,139	(618,949)
Acquisition of property and equipment (note 12)	(168,902)	-
Net proceeds on sale of investment properties (note 11)	376,215	363,586
Acquisition of digital assets (note 9)	(94,910)	-
	4,171,542	(255,363)
Effect of exchange rates on cash	(58,150)	315,791
Decrease in cash	(1,999,857)	(896,436)
Cash - Beginning of period	2,396,311	1,361,771
Cash - End of period	396,454	465,335

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)

For the six month period ended June 30

(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 Merchant bank with real estate investments in Ulaanbaatar, Mongolia, a subscription product business and a public securities portfolio that will be sold to invest in unique opportunities to profitably diversify the Company.

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 three wholly-owned subsidiaries as of June 30, 2022; Mongolia (Barbados) Corp., MGG US Inc., and Lemontree PR LLC. 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, 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 brokerage accounts owned by Mongolia (Barbados) Corp and MGG US Inc.

At June 30, 2022 and December 31, 2021, the principal subsidiaries of the Company, their geographic locations, and the ownership interest held by the Company, were as follows:

Name	Principal Activity	Ownership		Location
		June 30, 2022	December 31, 2021	
Mongolia (Barbados) Corp.	Holding Company and Brokerage Account	100%	100%	Barbados
Lemontree PR LLC	Real estate operations	100%	100%	Puerto Rico
MGG US Inc.	Investments	100%	100%	United States
MGG Properties LLC	Holding Company and Real estate operations	100%	100%	Mongolia
Big Sky Capital LLC	Holding Company and Real estate operations	100%	100%	Mongolia
Carrollton LLC	Real estate operations	100%	100%	Mongolia
Biggie Industries LLC	Real estate operations	100%	100%	Mongolia
Zulu LLC	Real estate operations	100%	100%	Mongolia
Crescent City LLC	Real estate operations	100%	100%	Mongolia
Oceanus LLC	Real estate operations	100%	100%	Mongolia

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

At June 30, 2022, the Company is organized into three 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.
- The Subscription Products office is located in Toronto, Canada.

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the six month period ended June 30

(expressed in Canadian dollars)

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) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting (“IAS 34”). These condensed interim consolidated financial statements are compliant with IAS 34 and do not include all of the information required for full annual financial statements.

These condensed interim consolidated financial statements should be read in conjunction with the Company’s annual financial statements for the year ending December 2021. The significant accounting policies used in the preparation of these consolidated financial statements are summarized in note 3.

The consolidated financial statements, including the notes to the consolidated financial statements, are presented in Canadian dollars (\$) which is presentation currency and the functional currency of the parent Company. The functional currency of the Mongolian subsidiaries is the Mongolian National Tögrög (MNT). The functional currency of the Company’s operating subsidiary in Barbados is the Canadian Dollar. The functional currency of the Company’s operating subsidiaries in the United States is the US Dollar.

These consolidated financial statements were approved by the Board of Directors of the Company for issue on August 12, 2022.

3 Significant Accounting Policies

The Company has applied the same accounting policies in these condensed interim consolidated financial statements as those applied in the Company’s annual audited consolidated financial statements as at and for the year ended December 31, 2021.

In preparing these condensed interim consolidated financial statements, the significant judgements made in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those applied to the annual consolidated financial statements as at and for the year ended December 31, 2021.

These condensed interim consolidated financial statements should be read in conjunction with the Company’s annual financial statements for the year ending December 31, 2021.

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the six month period ended June 30

(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 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 11. Changes in assumptions about these factors could materially affect the carrying value of investment properties. In addition, the significant global uncertainty resulting from the novel coronavirus ("COVID-19") pandemic has reduced the availability of reliable market metrics to inform opinions, and therefore a higher degree of judgment must be applied. Consequently, fair values are subject to significant change.
- Valuation of marketable securities - The Company recognizes marketable securities at fair value. Fair value is determined on the basis of market prices from independent sources, if available. If there is no market price, then the fair value is determined by using valuation models with inputs derived from observable market data where possible but where observable data is not available, judgement is required to establish fair values.

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the six month period ended June 30

(expressed in Canadian dollars)

4 Significant accounting estimates and judgements (continued)

- Operating environment of the Company - Mongolia displays many characteristics of an emerging market including relatively high inflation and interest rates. The tax and customs legislation in Mongolia is subject to varying interpretations and frequent changes.
- The future economic performance of Mongolia is tied to the continuing demand from China and global prices for commodities as well as being dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government of Mongolia together with tax, legal, regulatory and political developments. Management is unable to predict all developments that could have an impact on the Mongolian economy 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 June 30, 2022 and December 31, 2021, 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 June 30, 2022 and December 31, 2021, Management has made the judgment that Investment Properties whereby the land title has recently expired but is expected to be renewed in the near future should continue to be classified as Investment Properties. Properties whereby Management judges that the Company's titles are at risk, have been impaired to reflect the level of risk estimated by Management. As of June 30, 2022, all land titles of the Company's Investment Properties were current.

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the six month period ended June 30

(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:

	June 30, 2022	December 31, 2021
	\$	\$
Barbados	(779,434)	1,560,652
Canada	683,035	274,900
United States	289,098	313,036
Mongolia	203,755	247,723
	396,454	2,396,311

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

6 Credit facilities and due from and due to brokers

a) Credit facilities

During the year ended December 31, 2020, the Company qualified for a government-guaranteed line of credit (Canada Emergency Business Account "CEBA") of \$40,000 which was interest-free until December 31, 2020. On January 1, 2021, the line of credit converted to a 2-year, 0% interest term loan to be repaid by December 31, 2022 at which time a 25% balance forgiveness (\$10,000) will apply if the loan is repaid by such date. On January 1, 2021 the Company qualified for an additional \$20,000 2-year, 0% interest term loan to be repaid by December 31, 2022. The Company has the option to exercise a 3-year term extension on the loans by December 31, 2022, if the loans are not repaid by then, at which time, the remaining unpaid balance of the loans will bear interest at 5% interest per annum during the extension period and must be paid in full by December 31, 2025. Funds can be used to pay non-deferrable operating expenses including payroll.

Short term debt

	June 30, 2022	December 31, 2021
	\$	\$
Current	60,000	60,000
	60,000	60,000

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the six month period ended June 30

(expressed in Canadian dollars)

6 Credit facilities and due from and due to brokers (continued)

Due from and due to brokers

The Company has margin facilities with its prime brokers. As at June 30, 2022, the Company's amounts due to brokers have no specific repayment terms, and they are governed by the margin terms set forth in the prime brokerage agreements. As at June 30, 2022, the Company had net margin borrowings of \$4,023,902 (Q2 2021 – net margin borrowings of \$1,088,721). The fair value of the collateral-listed equity securities is calculated daily and compared to the Company's margin limits. The prime brokers can at any time demand full or partial repayment of the margin balances and any interest thereon or demand the delivery of additional assets as collateral.

Due from and due to brokers balances are presented on a net basis by broker in the consolidated statement of financial position. Under the prime broker agreements, the broker may upon events of default offset, net and/or regroup any amounts owed by the Company to the broker by amounts owed to the Company by the broker. The following tables set out the offsetting of the Company's various accounts with prime brokers.

Due from and due to brokers

	June 30, 2022		
	Gross amounts due from brokers \$	Gross amounts due to brokers \$	Net amounts \$
Due from brokers	43,441	-	43,441
Due to brokers	-	(4,202,645)	(4,202,645)

	December 31, 2021		
	Gross amounts due from brokers \$	Gross amounts due to brokers \$	Net amounts \$
Due from brokers	6,872	(4,552)	2,320
Due to brokers	-	(9,173,869)	(9,173,869)

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the six month period ended June 30

(expressed in Canadian dollars)

7 Equity investments and other holdings, securities sold short, derivatives and futures

Equity Investments and other holdings

	June 30, 2022 \$	December 31, 2021 \$
Assets		
Equity securities	25,161,785	30,778,337
Options on futures	21,743,488	7,006,506
Calls	-	7,952
Puts	-	10,058
	46,905,273	37,802,853

Securities sold short and derivative liabilities

	June 30, 2022 \$	December 31, 2021 \$
Liabilities		
Options on futures	9,787,691	2,598,477
Calls	27,362	47,835
Puts	132,285	6,017
	9,947,338	2,652,329

Futures

	June 30, 2022 \$	December 31, 2021 \$
Cost Basis	2,750,533	2,768,220
Unrealized gains on futures contract	959,466	311,437
Fair Market Value	3,709,999	3,079,657

A “purchase” of a futures contract means a contractual obligation to acquire the securities, commodities or foreign currency at a fixed price at a specified time in the future and is not included on the balance sheet. An unrealized gain or loss equal to the change in value of the contract is recognised on a daily basis and carried on the balance sheet.

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the six month period ended June 30

(expressed in Canadian dollars)

8 Subscription Revenue

The Company's revenue from contracts with customers is comprised of data analytics subscriptions.

The Company has been working on building a data analytics service, named KEDM that tracks various event-driven strategies. The Company initiated a paywall on July 1, 2021 to start monetizing this service. Revenue earned during the period is classified as subscription revenue on the income statement. Revenue collected that has not yet been earned, have been classified as unearned revenue and will be classified according to the Company's revenue policies described in note 3 of the December 31, 2021 consolidated financial statements.

Contract Liabilities:

As of June 30, 2022, the Company has unearned revenue of \$1,725,208 to be fully recognized in accordance with contract terms (June 30, 2021 - \$1,354,898).

MGG has engaged an arm's length company to compile and produce the KEDM report on an ongoing basis, while MGG will act as the distributor and marketer of the product. As a part of this engagement, MGG has agreed to pay certain direct and approved expenses related to producing KEDM in addition to 20% of quarterly earned revenues above a threshold of \$125,000 USD. Most of the expenses related to the unearned revenue have not yet been incurred and are not reflected in the Company's financial statements. MGG owns all intellectual property related to KEDM and the arm's length company disclaims any ownership or rights to the intellectual property. The agreement can be discontinued by either party following a reasonable transition period and MGG can engage a substitute party to continue the production of KEDM.

9 Digital assets

	June 30, 2022	December 31, 2021
	\$	\$
Balance - beginning of year	266,890	-
Net purchases	94,910	314,419
Unrealized loss	(161,388)	(42,606)
Foreign currency gain (loss)	6,644	(4,923)
	<hr/>	<hr/>
Balance - end of period	207,056	266,890

The Company has a digital currency account at Kraken Custody where it owns Monero (XMR) cryptocurrency.

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the six month period ended June 30

(expressed in Canadian dollars)

10 Other assets

	June 30, 2022	December 31, 2021
	\$	\$
Accounts receivable	1,377,935	29,888
Allowance for doubtful debt	(51,500)	(55,862)
Prepaid expenses	44,414	55,192
Total short term other assets	1,370,849	29,218
Long term receivable	103,000	111,722
Total long term other assets	103,000	111,722

As of December 31, 2021, the Company reclassified the \$103,000 receivable from a property sold in 2019 from short term to long term. The Company has filed court proceedings against the debtor and has made an allowance for 50% of the amount.

11 Investment properties

	June 30, 2022	December 31, 2021
	\$	\$
Balance - beginning of period	11,885,907	14,542,236
Acquisitions	-	-
Disposals	(376,215)	(2,163,008)
Fair value adjustment	-	(441,870)
Foreign exchange adjustments	(905,760)	(51,451)
Balance - end of period	10,603,932	11,885,907

During the six-month period ended June 30, 2022, the Company sold two properties with a value of \$376,215 at a net gain of \$nil. During the six-month period ended June 30, 2021, the Company sold one property with a value of \$413,237 and net gain of \$nil.

Mongolia Growth Group Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the six month period ended June 30

(expressed in Canadian dollars)

12 Property and equipment

	2021			
	Furniture and fixtures	Equipment	Buildings	Total
	\$	\$	\$	\$
December 31				
Cost	59,993	129,798	2,726,198	2,915,989
Accumulated depreciation	48,719	122,182	524,881	695,782
Net book value	11,274	7,616	2,201,317	2,220,207
2022				
	Furniture and fixtures	Equipment	Buildings	Total
	\$	\$	\$	\$
Cost				
At January 1	59,993	129,798	2,726,198	2,915,989
Additions	4,708	110,203	53,991	168,902
Disposals	(674)	(1,875)	-	(2,549)
Impairment	-	-	-	-
Foreign exchange adjustment	(1,023)	(25,566)	(123,419)	(150,008)
At June 30	63,004	212,560	2,656,770	2,932,334
2022				
	Furniture and fixtures	Equipment	Buildings	Total
	\$	\$	\$	\$
Accumulated depreciation				
At January 1	48,719	122,182	524,881	695,782
Depreciation	1,895	3,581	34,749	40,225
Disposals	(674)	(1,875)	-	(2,549)
Foreign exchange adjustment	(200)	(10,100)	(25,000)	(35,300)
At June 30	49,740	113,788	534,630	698,158
Net book value at June 30	13,264	98,772	2,122,140	2,234,176

Mongolia Growth Group Ltd.

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13 Trade payables and accrued liabilities

	2022	2021
	\$	\$
Trade and accrued payables	413,576	574,681
Property commitment	243,080	263,667
Security deposits	68,769	75,043
	725,425	913,391

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

14 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, 2021	27,778,499	51,004,122
Shares re-purchased	(19,200)	(31,577)
Treasury stock cancelled	-	-
Balance June 30, 2022	27,759,299	50,972,545

As at June 30, 2022, the Company held nil (Q2 2021-nil) shares in Treasury.

Earnings per share

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

	June 30, 2022	December 31, 2021
	\$	\$
Weighted average number of shares – basic	27,777,752	29,309,116
Effect of dilutive stock options	-	-
Weighted average number of shares – diluted	27,777,752	29,309,116

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.

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15 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.

	June 30, 2022	December 31, 2021
	\$	\$
Current assets	49,882,539	40,809,029
Current liabilities	(16,660,616)	(13,839,334)
Working capital	33,221,923	26,969,695

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.

16 Related party transactions

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

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

	Six months ending June 30, 2022	Six months ending June 30, 2021
	\$	\$
Salaries and other short-term employee benefits	275,704	262,571
Director fees	30,000	30,000
	305,704	292,571

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.

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17 Commitments and contingencies

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

The Company has an obligation to provide an 84 meter apartment to an owner of an apartment that has been included in one of the Company's properties classified as land and redevelopment. For more information, please refer to the December 31, 2021 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.

18 Supplementary cash flow information

	Six months ending June 30, 2022	Six months ending June 30, 2021
	\$	\$
Changes in non-working capital arising from		
Unearned revenue	689,738	1,354,898
Other assets	(1,340,980)	(1,376,294)
Net due to/(from) broker	(5,012,344)	1,088,721
Trade payables and accrued liabilities	(158,373)	(111,713)
Income tax payable	(4,275)	9,331
Changes in non-cash working capital from operating activities	(5,826,234)	964,943

Income tax paid during the quarter was \$4,275 (Q2-2021 \$nil). Interest paid during the quarter was \$nil (Q2-2021 \$nil).

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19 Segment information

The Company's operations are conducted in three reportable segments; Investment Property Operations, Corporate, and Subscription Products. 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 June 30, 2022			
	Investment Property	Corporate	Subscription Products	Total
	\$	\$	\$	\$
Rental income	201,015	-	-	201,015
Subscription revenue	-	-	790,803	790,803
Property operating expenses	(217,803)	(3,802)	-	(221,605)
Unrealized mark to market loss	-	(4,543,820)	-	(4,543,820)
Unrealized loss on digital assets	-	(182,995)	-	(182,995)
Other expenses	(43,707)	(364,222)	(309,601)	(717,530)
Subscription processing fees	-	-	(62,000)	(62,000)
Depreciation	(14,037)	(6,224)	-	(20,261)
Other revenue	54,939	-	-	54,939
Realized gain on marketable securities	1,833	1,764,302	-	1,766,135
Foreign currency gain (loss)	34,677	(27,587)	-	7,090
Net income (loss) before income taxes	16,917	(3,364,348)	419,202	(2,928,229)

	Six months ended June 30, 2022			
	Investment Property	Corporate	Subscription Products	Total
	\$	\$	\$	\$
Rental income	405,086	-	-	405,086
Subscription revenue	-	-	1,395,480	1,395,480
Property operating expenses	(396,080)	(8,411)	-	(404,491)
Unrealized mark to market gain	-	(225,722)	-	(225,722)
Unrealized loss on digital assets	-	(161,388)	-	(161,388)
Other expenses	(105,279)	(736,708)	(436,096)	(1,278,083)
Subscription processing fees	-	-	(76,120)	(76,120)
Depreciation	(27,777)	(12,448)	-	(40,225)
Other revenue	85,797	-	-	85,797
Realized gain on marketable securities	2,811	6,737,490	-	6,740,301
Foreign currency loss	(8,342)	(322,907)	-	(331,249)
Net income (loss) before income taxes	(43,784)	5,269,906	883,264	6,109,386

Mongolia Growth Group Ltd.

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19 Segment information (continued)

	Three months ended June 30, 2021			
	Investment Property	Corporate	Subscription Products	Total
	\$	\$	\$	\$
Rental income	144,581	-	-	144,581
Subscription revenue	-	-	-	-
Property operating expenses	(245,497)	-	-	(245,497)
Unrealized mark to market gain	-	845,526	-	845,526
Realized gain on marketable securities	-	3,477,805	-	3,477,805
Other expenses	(26,202)	(273,919)	-	(300,121)
Subscription processing fees	-	-	(47,475)	(47,475)
Depreciation	(15,357)	-	-	(15,357)
Other revenue	34,835	38	-	34,873
Foreign Currency loss	(272)	(143,517)	-	(143,789)
Net income (loss) before income taxes	(107,912)	3,905,933	(47,475)	3,750,546

	Six months ended June 30, 2021			
	Investment Property	Corporate	Subscription Products	Total
	\$	\$	\$	\$
Rental income	289,003	-	-	289,003
Property operating expenses	(455,076)	-	-	(455,076)
Unrealized mark to market gain	-	1,338,345	-	1,338,345
Realized gain on short term investments	-	9,438,064	-	9,438,064
Other expenses	(60,365)	(546,883)	-	(607,248)
Subscription processing fees	-	-	(47,475)	(47,475)
Depreciation	(31,030)	-	-	(31,030)
Other revenue	140,275	-	-	140,275
Foreign currency loss	(226)	(213,728)	-	(213,954)
Net income (loss) before income taxes	(117,419)	10,015,798	(47,475)	9,850,904

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19 Segment information (continued)

	Balance as of June 30, 2022			
	Investment Property \$	Subscription Products \$	Corporate \$	Total \$
Total assets	12,124,607	-	50,699,040	62,823,647
Property and equipment	1,238,338	-	995,838	2,234,176
Investment properties	10,603,932	-	-	10,603,932
Expenditures				
Property and equipment	1,652	-	168,443	170,095
Investment properties	-	-	-	-
Total Liabilities	372,271	1,725,208	17,574,969	19,672,448

	Balance as of June 30, 2021			
	Investment Property \$	Subscription Products \$	Corporate \$	Total \$
Total assets	15,349,452	-	23,601,275	38,950,727
Property and equipment	1,227,845	-	-	1,227,845
Investment properties	13,789,210	-	-	13,789,210
Expenditures				
Property and equipment	-	-	-	-
Investment properties	-	-	-	-
Total Liabilities	337,917	1,354,898	2,043,331	3,736,146

	Revenue		Property and equipment		Investment property	
	June 30, 2022 \$	June 30, 2021 \$	June 30, 2022 \$	June 30, 2021 \$	June 30, 2022 \$	June 30, 2021 \$
Canada	1,395,480	-	-	-	-	-
USA	-	-	995,838	-	-	-
Mongolia	490,884	429,278	1,238,338	1,227,845	10,603,932	13,789,210
	1,886,364	429,278	2,234,176	1,227,845	10,603,932	13,789,210

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(expressed in Canadian dollars)

20 Other expenses

	For the three months ended June 30	
	2022	2021
	\$	\$
Investor relations	6,675	6,675
Investment research expense	8,889	15,030
Repairs and maintenance	10,030	5,214
Office	35,517	13,412
Professional fees	121,643	203,984
Travel	76,606	3,991
Advertising	8,736	1,892
Land and property tax	12,154	20,687
Insurance	9,134	13,717
Utilities	28,688	12,428
Other	33,349	48,898
Subscription processing fees	62,000	47,475
Subscription product expenses	309,601	-
	723,022	393,403

	For the six months ended June 30	
	2022	2021
	\$	\$
Investor relations	13,350	13,350
Investment research expense	16,458	31,968
Repairs and maintenance	16,835	7,724
Office	76,466	30,164
Professional fees	373,795	429,359
Travel	81,916	6,654
Advertising	19,526	3,597
Land and property tax	25,381	42,608
Insurance	18,040	27,465
Utilities	62,479	25,320
Other	46,161	82,992
Subscription processing fees	76,120	47,475
Subscription product expenses	436,093	-
	1,262,620	748,676

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For the six month period ended June 30

21 COVID-19

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