

Mongolia Growth Group Ltd.

Consolidated Financial Statements

December 31, 2021

(Expressed in Canadian dollars)



INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Mongolia Growth Group Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Mongolia Growth Group Ltd. (the "Company"), which are comprised of the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of operations, comprehensive income (loss), changes in equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Other Information

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

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

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

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



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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

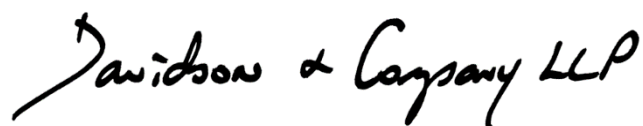
As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

April 21, 2022

Mongolia Growth Group Ltd.
Consolidated Statements of Financial Position
As at December 31

(Expressed in Canadian dollars)

	2021	2020
	\$	\$
Assets		
Current assets		
Cash (note 5)	2,396,311	1,361,771
Marketable securities owned (note 7)	37,802,853	10,612,071
Unrealized gain on futures contract (note 7)	311,437	-
Due from broker (note 6)	2,320	1,373
Digital assets (note 9)	266,890	-
Other assets (note 10)	29,218	159,729
	<u>40,809,029</u>	<u>12,134,944</u>
Non-current assets		
Investment properties (note 11)	11,885,907	14,542,236
Other assets-long term receivable (note 10)	111,722	-
Property and equipment (note 12)	2,220,207	1,293,241
	<u>14,217,836</u>	<u>15,835,477</u>
Total assets	<u>55,026,865</u>	<u>27,970,421</u>
Liabilities		
Current liabilities		
Trade payables and accrued liabilities (note 13)	913,391	564,542
Unearned revenue (note 8)	1,035,471	-
Due to broker (note 6)	9,173,869	-
Marketable securities sold short (note 7)	2,652,329	39,223
Short Term CEBA Loan (note 6)	60,000	-
Income taxes payable	4,274	1,393
	<u>13,839,334</u>	<u>605,158</u>
Non-current liabilities		
Long Term CEBA Loan (note 6)	-	40,000
Deferred income tax liability (note 14)	1,010,244	478,836
	<u>1,010,244</u>	<u>478,836</u>
Total liabilities	<u>14,849,578</u>	<u>1,123,994</u>
Equity		
Share capital (note 15)	51,004,122	53,165,247
Contributed surplus	6,849,976	6,849,976
Accumulated other comprehensive loss	(15,501,963)	(15,444,642)
Deficit	(2,174,848)	(17,724,154)
	<u>40,177,287</u>	<u>26,846,427</u>
Total equity	<u>40,177,287</u>	<u>26,846,427</u>
Total equity and liabilities	<u>55,026,865</u>	<u>27,970,421</u>

Commitment and contingencies (note 19)

Subsequent events (note 25)

Approved by the Board of Directors

“James Dwyer” Director *“Harris Kupperman”* Director

Mongolia Growth Group Ltd.

Consolidated Statements of Operations

For the years ended December 31

(Expressed in Canadian dollars)

	2021	2020
	\$	\$
Revenue		
Rental income	679,091	756,283
Subscription revenue (note 8)	944,411	-
Other revenue	190,850	68,170
Gain (loss) on disposal of investment property (note 11)	(37,641)	106,762
	<u>1,776,711</u>	<u>931,215</u>
Total revenue	1,776,711	931,215
Expenses		
Salaries and wages	887,864	599,199
Other expenses (note 22)	2,209,606	1,440,400
Depreciation (note 12)	72,108	68,795
	<u>3,169,578</u>	<u>2,108,394</u>
Total operating expenses	(3,169,578)	(2,108,394)
Unrealized loss on fair value adjustment on Investment properties (note 11)	(441,870)	(2,700,069)
Reversal of impairment (impairment) of property and equipment (note 12)	53,630	(36,426)
Unrealized gain on short term investments	7,946,088	4,265,403
Realized gain on short term investments	10,306,006	3,288,803
Unrealized loss on digital assets (note 9)	(42,606)	-
Foreign currency loss	(313,464)	(14,727)
Reclassification of accumulated other comprehensive income on disposal of subsidiary (note 24)	(33,006)	-
	<u>17,474,778</u>	<u>4,802,984</u>
Total other income	17,474,778	4,802,984
Net income before income taxes	16,081,911	3,625,805
Income tax (expense) recovery (note 14)	(532,605)	101,739
	<u>15,549,306</u>	<u>3,727,544</u>
Net income for the year	15,549,306	3,727,544
Net income per share (note 15)		
Basic		
From net income for the year	0.53	0.12
Diluted		
From net income for the year	0.53	0.12

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

Mongolia Growth Group Ltd.

Consolidated Statements of Comprehensive Income (Loss)

For the years ended December 31

(Expressed in Canadian dollars)

	2021	2020
	\$	\$
Net income for the year	15,549,306	3,727,544
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	(90,327)	(1,211,257)
Items subsequently reclassified to income or loss		
Reclassification of accumulated other comprehensive income on disposal of subsidiary (note 24)	33,006	-
Total comprehensive income	15,491,985	2,516,287

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

Mongolia Growth Group Ltd.
Consolidated Statements of Changes in Equity
For the years ended December 31

(Expressed in Canadian dollars)

	Share capital \$	Contributed surplus \$	Accumulated other comprehensive loss \$	Deficit \$	Total \$
Balance at January 1, 2020	53,504,935	6,849,976	(14,233,385)	(21,451,698)	24,669,828
Net loss for the year	-	-	-	3,727,544	3,727,544
Reclassification (note 24)	-	-	-	-	-
Other comprehensive loss	-	-	(1,211,257)	-	(1,211,257)
	<u>53,504,935</u>	<u>6,849,976</u>	<u>(15,444,642)</u>	<u>(17,724,154)</u>	<u>27,186,115</u>
Share repurchase	(3,39,688)	-	-	-	(3,39,688)
Balance at December 31, 2020	<u>53,165,247</u>	<u>6,849,976</u>	<u>(15,444,642)</u>	<u>(17,724,154)</u>	<u>26,846,427</u>

	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 income for the year	-	-	-	15,549,306	15,549,306
Reclassification (note 24)	-	-	33,006	-	33,006
Other comprehensive loss	-	-	(90,327)	-	(90,327)
	<u>53,165,247</u>	<u>6,849,976</u>	<u>(15,501,963)</u>	<u>(2,174,848)</u>	<u>42,338,412</u>
Share repurchase	(2,161,125)	-	-	-	(2,161,125)
Balance at December 31, 2021	<u>51,004,122</u>	<u>6,849,976</u>	<u>(15,501,963)</u>	<u>(2,174,848)</u>	<u>40,177,287</u>

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

Mongolia Growth Group Ltd.

Consolidated Statements of Cash Flow

As at December 31, 2021

(Expressed in Canadian dollars)

	2021 \$	2020 \$
Cash provided by (used in)		
Operating activities		
Net income (loss) for the year	15,549,306	3,727,544
Items not affecting cash		
Depreciation (note 12)	72,108	68,795
Deferred taxes	531,408	(103,051)
Allowance for doubtful receivable (note 10)	55,862	-
Realized (gain) loss on disposal of investment properties (note 11)	37,641	(106,762)
Impairment (Reversal of Impairment) of property and equipment (note 12)	(53,630)	36,426
Unrealized (gain) on marketable securities	(7,946,088)	(4,265,403)
Realized (gain) on marketable securities	(10,306,006)	(3,288,803)
Unrealized loss and FX loss on digital assets (note 9)	42,606	-
Foreign Exchange	4,923	-
Unrealized loss on fair value adjustment on investment properties (note 11)	441,870	2,700,069
Reclassification of accumulated other comprehensive income on disposal of subsidiary (note 24)	33,006	-
	(1,536,994)	(1,231,185)
Net change in non-cash working capital balances (note 20)	10,523,050	291,048
	8,986,056	(940,137)
Financing activities		
Share repurchase (note 15)	(2,161,125)	(339,688)
CEBA loan (note 6)	20,000	40,000
	(2,141,125)	(299,688)
Investing activities		
Net (purchase) sale of marketable securities	(6,636,823)	1,186,552
Acquisition of property and equipment (note 12)	(941,847)	(705)
Net proceeds on sale of investment properties (note 11)	2,125,367	583,372
Acquisition of digital assets (note 9)	(314,419)	-
	(5,767,722)	1,769,219
	1,077,209	529,394
Effect of exchange rates on cash	(42,669)	95,122
Increase in cash	1,034,540	624,516
Cash – Beginning of year	1,361,771	737,255
Cash – End of year	2,396,311	1,361,771

*Supplementary cash flow information (note 20)

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

Mongolia Growth Group Ltd.

Notes to the Consolidated Financial Statements

For the year ended December 31

(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 our 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 at December 31, 2021; 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 December 31, 2021 and 2020, 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
		December 31, 2021	December 31, 2020	
Mongolia (Barbados) Corp.	Holding Company and Brokerage Account	100%	100%	Barbados
Lemontree PR LLC	Real estate operations	100%	nil	Puerto Rico
MGG US Inc.	Investments	100%	nil	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	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 December 31, 2021, 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 the Consolidated Financial Statements

For the year ended December 31

(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). The significant accounting policies used in the preparation of these consolidated financial statements are summarized in note 3.

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

The consolidated financial statements, including the notes to the consolidated financial statements, are presented in Canadian dollars (\$) which is the 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 April 21, 2022.

3 Significant accounting policies

a. Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, as modified by the revaluation of investment properties, marketable securities, options on futures, calls, puts and digital assets at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

b. Basis of consolidation

These consolidated financial statements include the accounts of MGG and its wholly-owned subsidiaries. Subsidiaries are entities controlled by MGG. Control exists when MGG is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiaries are prepared for the same reporting year as MGG, using consistent accounting policies. Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements. Upon the disposal of a subsidiary, amounts previously recognized in other comprehensive income in respect of that entity, are reclassified to profit and loss.

c. Financial instruments

Classification and measurement

The classification of financial assets is based on the Company's business models and the financial asset's contractual cash flow characteristics. Business models are reassessed periodically, and contractual cash flow characteristics are assessed to determine whether they are "Solely payments of principal and interest" (SPPI).

Mongolia Growth Group Ltd.

Notes to the Consolidated Financial Statements

For the year ended December 31

(Expressed in Canadian dollars)

c. Financial instruments (continued)

Financial assets, including hybrid contracts, are classified as either amortized cost, fair value through other comprehensive income (FVOCI), or the residual classification of fair value through profit and loss (FVTPL).

Financial assets with cash flows that are SPPI and are held within a business model where the objective is to hold the financial assets in order to collect contractual cash flows (“Hold to collect” business model) are measured at amortized cost.

Financial assets with cash flows that are SPPI and are held within a business model where the dual objective is to hold the financial assets in order to collect contractual cash flows and selling financial assets (“Hold to collect and sell” business model) are measured at FVOCI.

Financial assets with cash flows that are SPPI but are not held within the “Hold to collect” or “Hold to collect and sell” business models are measured at FVTPL.

Financial assets with cash flows that do not meet the SPPI conditions are measured at FVTPL.

Marketable securities held for trading are classified as FVTPL. For all other marketable securities that are not held for trading, the Company, on initial recognition, may irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income. This election is made on an investment-by-investment basis.

Financial liabilities are measured at amortized cost unless they must be measured at fair value through profit or loss (such as instruments held for trading or derivatives) or if the Company elects to measure them at fair value through profit or loss.

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial assets and financial liabilities are recognized on the trade date, the date on which the Company commits to purchase or sell the investment.

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable and unconditional right to offset the recognized amounts and when there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

i) Financial assets and financial liabilities held for trading

A financial asset or financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if on initial recognition it is part of a portfolio of identifiable financial investments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. Derivatives are also categorized as held for trading. The Company does not classify any derivatives as hedges in a hedging relationship.

The Company makes short sales in which a borrowed security is sold in anticipation of a decline in the market value of that security, or it may use short sales for various arbitrage transactions.

Mongolia Growth Group Ltd.

Notes to the Consolidated Financial Statements

For the year ended December 31

(Expressed in Canadian dollars)

c. Financial instruments (continued)

From time to time, the Company enters into derivative financial instruments for speculative purposes. These instruments are marked to market, and the corresponding gains and losses for the year are recognized in the consolidated statement of operations. The carrying value of these instruments is fair value, which approximates the amount that would be received or paid if the derivative were to be transferred to a market participant at the consolidated statement of financial position date. The fair value is included in marketable securities if in an asset position or marketable securities sold short if in a liability position.

As at December 31, 2021, the Company had a net fair market value of approximately \$2,652,329 of derivative financial liabilities that will expire if out of the money at expiration (Note 7).

ii) Financial assets managed as fair value through profit or loss

Financial assets managed as fair value through profit or loss are financial instruments that are not classified as held for trading but form part of a portfolio that is managed and whose performance is evaluated on a fair value basis in accordance with the Company's documented investment strategy.

The Company's marketable securities owned, unrealized gain on futures contract, and marketable securities sold short are all classified as held for trading and carried at FVTPL.

Recognition, derecognition and measurement

Financial assets and financial liabilities at fair value through profit or loss are initially recognized at fair value. Transaction costs are expensed as incurred in the consolidated statement of operations. Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of financial assets or financial liabilities at fair value through profit or loss are presented in the consolidated statement of operations in realized and unrealized gain on short-term investments.

Financial assets at amortized cost

Classification

Financial assets at amortized cost are non-derivative financial assets with cash flows that are "solely from the payment of principal and interest" (SPPI) and that are managed under a "held to collect" business model.

The Company's financial assets at amortized cost consist of cash, due from brokers, as well as accounts receivable and long term receivable, which are included in other assets.

Recognition and measurement

At initial recognition, the Company measures its financial assets at its fair value plus transactions costs incurred. The amortized cost is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and adjusted for any loss allowance.

Mongolia Growth Group Ltd.

Notes to the Consolidated Financial Statements

For the year ended December 31

(Expressed in Canadian dollars)

c. Financial instruments (continued)

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets.

Financial liabilities at amortized cost

Classification

The Company's financial liabilities at amortized cost are non-derivative liabilities that comprise trade payables and accrued liabilities, due to broker, and short-term and long term CEBA loan.

Recognition and measurement

Trade payables and accrued liabilities are initially recognized at fair value. Subsequently, they are measured at amortized cost using the effective interest method. Due to brokers and CEBA loans are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method.

Impairment

Substantially all of the Company's financial assets at amortized cost are short-term assets and from sources with low credit risk. The Company monitors its financial assets measured at amortized cost and counterparty risk.

Fair Value of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets and liabilities recorded at fair value in the consolidated statement of financial position are measured and classified in a hierarchy consisting of three levels for disclosure purposes. The three levels are based on the priority of the inputs to the respective valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). An asset or liability's classification within the fair value hierarchy is based on the lowest level of significant input to its valuation. The input levels are defined as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities

- The Company defines active markets based on the frequency of valuation and any restrictions or illiquidity on disposition of investments. The size of the bid/ask spread is used as an indicator of market activity for fixed maturity securities. Fair value is based on market price data for identical assets obtained from the investment custodian, investment managers or dealer markets. The Company does not adjust the quoted price for such instruments.

Level 2: Quoted prices in markets that are not active or inputs that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices)

- Level 2 inputs include observable market information, including quoted prices for assets in markets that are considered less active. Fair value is based on or derived from market

Mongolia Growth Group Ltd.

Notes to the Consolidated Financial Statements

For the year ended December 31

(Expressed in Canadian dollars)

c. Financial instruments (continued)

price data for same or similar instruments obtained from the investment custodian, investment managers or dealer markets.

Level 3: Unobservable inputs that are supported by little or no market activity and are significant to the estimated fair value of the assets or liabilities

- Level 3 assets and liabilities would include financial instruments whose values are determined using internal pricing models, discounted cash flow methodologies, or similar techniques that are not based on observable market data, as well as assets or liabilities for which the determination of estimated fair value requires significant management judgement or estimation.

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

The levels of the fair value inputs used in determining estimated fair value of the Company's financial assets at fair value through profit or loss as at December 31, 2021 and 2020, is shown below.

	Estimated fair values			
	December 31, 2021	Level 1	Level 2	Level 3
Marketable securities	\$37,802,853	\$37,802,853	-	-
Unrealized gain on futures contract	\$311,437	\$311,437	-	-
Marketable securities sold short	(\$2,652,329)	(\$2,652,329)	-	-
	\$35,461,960	\$35,461,960	-	-

	Estimated fair values			
	December 31, 2020	Level 1	Level 2	Level 3
Marketable securities	\$10,612,071	\$10,612,071	-	-
Marketable Securities sold short	(\$39,223)	(\$39,223)	-	-
	\$10,572,848	\$10,572,848	-	-

At December 31, 2021 and 2020 there were no financial assets or liabilities measured and recognized in the statement of financial position at fair value that would be categorized as level 2 and 3 in the fair value hierarchy above.

d. Investment properties

Investment properties include properties held to earn rental revenue, for capital appreciation, and/or for redevelopment. Investment properties are initially measured at fair which is most often the purchase price plus any directly attributable expenditures. Investment properties are subsequently measured at fair value, which reflects market conditions at the date of the consolidated statement of financial position. Gains or losses arising from changes in the fair

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Notes to the Consolidated Financial Statements

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d. Investment properties (continued)

value of investment properties are recognized in the consolidated statement of operations in the year they arise. A key characteristic of an investment property is that it generates cash flows largely independently of the other assets held by an entity.

Subsequent expenditure is included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the consolidated statement of operations during the financial period in which they occur.

Substantially all of the Company's income generating properties and properties under development are investment properties.

Properties under development are measured at cost.

Certain land leases held under an operating lease are classified as investment properties when the definition of an investment property is met. At inception these leases are recognized at the lower of the fair value of the property and the present value of the minimum lease payments.

Some properties may be partially occupied by the Company, with the remainder being held for rental income or capital appreciation. If that part of the property occupied by the Company can be sold separately, the Company accounts for the portions separately. The portion that is owner-occupied is accounted for under IAS 16, and the portion that is held for rental income, capital appreciation or both is treated as investment property under IAS 40. When the portions cannot be sold separately, the whole property is treated as investment property only if an insignificant portion is owner-occupied. The Company considers the owner-occupied portion as insignificant when the property is more than 90% held to earn rental income or capital appreciation. In order to determine the percentage of the portions, the Company uses the size of the property measured in square metres.

The fair value of investment properties was based on the nature, location and condition of the specific asset. The fair value is calculated at December 31 on the majority of investment properties by an independent, professional, qualified appraisal firm, whose appraisers hold recognized relevant, professional qualifications and who have recent experience in the locations and categories of the investment properties valued. The remaining investment properties' fair value was calculated by Management and was performed by qualified individuals with recent experience in the locations and categories of the investment properties valued.

e. Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are categorized as held for sale at the point in time when the asset or disposal group is available for immediate sale. Management has committed to a plan to sell and is actively locating a buyer at a sales price that is reasonable in relation to the current fair value of the asset, and the sale is probable and expected to be completed within a one year period. Investment properties measured under the fair value model and held for sale continue to be measured by the guidelines of IAS 40 – Investment Property. All other assets held for sale are stated at the lower of carrying amounts and fair value less selling costs. An asset that is subsequently reclassified as held and in use, with the exception of investment property measured under the fair value model, is measured at the lower of its recoverable amount and the carrying value that would have been recognized had the asset never been classified as held for sale.

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f. Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. The Company's specific revenue recognition criteria are as follows:

i) Rental revenue

The Company has not transferred substantially all of the benefits and risk of ownership of its investment properties, and therefore, the Company accounts for leases with its tenants as operating leases. Rental revenue includes all amounts earned from tenants related to lease agreements including property tax and operating cost recoveries.

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

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

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

ii) Investment income

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

iii) Subscription Revenue

The Company's source of revenue consists of subscriptions to its an investment data analytics service. The subscription service provides customers the right to access its weekly data publications. The Company's subscription service represents a series of distinct publications produced each week and are made available to the customer continuously throughout the contractual period. However, the extent to which the customer uses the services may vary at the customer's discretion.

A performance obligation is a commitment in a contract with a customer to transfer products or services that are distinct. Determining whether products and services are distinct performance obligations that should be accounted for separately or combined as one unit of accounting may require significant judgment. The Company's data analytics service is considered to have a single performance obligation where the customer simultaneously receives and consumes the benefit, and as such revenue is recognized ratably over the term of the contractual agreement.

For the Company's data subscription product, the Company generally receives payment for the full subscription contract up front.

iv) Unearned revenue

Payments received in advance of services being rendered are recorded as unearned revenue and recognized ratably over the requisite service period.

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g. Digital Assets

The Company's digital assets are primarily traded in active markets and are purchased with the intent to re-sell in the near future, generating a profit from the fluctuations in prices or margins. As a result digital assets are measured at fair value less cost to sell, with changes in fair value recognized in profit or loss.

h. Cash

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

i. Property and equipment

On initial recognition, property and equipment are valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in a manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. Property and equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses. All repairs and maintenance costs are charged to the consolidated statement of operations during the period in which they occur.

Depreciation is recognized in the consolidated statement of operations and is provided on a straight-line basis over the estimated useful life of the assets as follows:

Buildings	Straight-line over 40 years
Furniture and fixtures	Straight-line over 5 to 10 years
Equipment	Straight-line over 1 to 5 years

Impairment reviews are performed when there are indicators that the net recoverable amount of an asset may be less than the carrying value. The net recoverable amount is determined as the higher of an asset's fair value less cost to dispose and value in use. Impairment is recognized in the consolidated statement of operations, when there is objective evidence that a loss event has occurred which has impaired future cash flows of an asset. In the event that the value of previously impaired assets recovers, the previously recognized impairment loss is recovered in the consolidated statement of operations at that time.

An item of property and equipment is derecognized upon disposal or when no further economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of operations in the period the asset is derecognized.

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

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j. Income taxes

Income taxes are comprised of both current and deferred taxes. Current tax and deferred tax are recognized in the statement of operations except to the extent that it relates to items recognized in Other Comprehensive Income (“OCI”) or directly in equity. In this case, the tax is recognized in OCI or directly in equity respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the consolidated statement of financial position date in the countries where the Company and its subsidiaries operate and generate taxable income and are measured at the amount expected to be recovered from or paid to the taxation authorities for the current and prior periods.

Deferred income tax assets and liabilities are recorded for the expected future income tax consequences of events that have been included in the consolidated financial statements or income tax returns. Deferred income taxes are provided for using the liability method. Under the liability method, deferred income taxes are recognized for all significant temporary differences between the tax and financial statement bases for assets and liabilities and for certain carry-forward items, such as losses and tax credits not utilized from prior years. However, if the deferred income tax arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable income, it is not accounted for.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where, in the opinion of Management, it is probable that future taxable profit will be available against which the deferred tax asset can be realized. Deferred income tax assets and liabilities are adjusted for the effects of changes in tax laws and rates, on the date the changes in tax laws and rates have been enacted or substantively enacted.

k. Foreign exchange transactions

Foreign currency transactions are translated at the rate of exchange in effect on the dates they occur. Gains and losses arising as a result of foreign currency transactions are recognized in the current year consolidated statement of operations. At reporting dates, monetary items are translated at the closing rate of exchange in effect at the consolidated statement of financial position date.

Translation of foreign operations

For the purpose of the consolidated financial statements, the results and financial position of the Company’s operations are expressed in Canadian dollars, which is the functional currency of the parent, and the presentation currency of the consolidated financial statements.

The Company translates the assets, liabilities, income and expenses of its subsidiaries which have a functional currency other than the Canadian dollar, to Canadian dollars on the following basis:

- Assets and liabilities are translated at the closing rate of exchange in effect at the consolidated statement of financial position date.

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Notes to the Consolidated Financial Statements

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k. Foreign exchange transactions (continued)

- Income and expense items are translated using the average rate for the month in which they occur, which is considered to be a reasonable approximation of actual rates.
- Equity items are translated at their historical rates.
- The translation adjustment from the use of different rates is included as a separate component of equity, in accumulated other comprehensive income (loss).

l. Comprehensive income

Comprehensive income consists of net income (loss) and OCI. OCI includes changes in unrealized gains (losses) on the translation of subsidiaries with a functional currency other than the Canadian dollar.

m. Share capital and deferred share issuance costs

Ordinary shares issued by the Company are classified as equity. Costs directly identifiable with the raising of capital will be charged against the related share issue, net of any tax effect.

Costs related to shares not yet issued are recorded as deferred financing costs. These costs will be deferred until the issuance of the shares to which the costs relate, at which time the costs will be charged against the related share issuance or charged to operations if the shares are not issued.

n. Earnings (loss) per share

For both continuing and discontinued operations, the Company presents basic and diluted earnings (loss) per share (EPS) data for its common shares. Basic EPS is calculated by dividing the results of operations attributable to ordinary shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted EPS is determined by adjusting the results of operations attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares, which comprise share options.

o. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of operations, has been identified as the Chief Executive Officer. The Company is now managed as three operating segments based on how information is produced internally for the purpose of making operating decisions. The segments are defined as investment property operations, subscription products and corporate.

p. Leases

IFRS 16, Leases ("IFRS 16") sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor.

From a lessee point of view, the Company has entered into Mongolian government land leases on some of its investment properties. The Company, as a lessee, has determined, based on an

Mongolia Growth Group Ltd.

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(Expressed in Canadian dollars)

p. Leases (continued)

evaluation of the terms and conditions of the arrangements, that these land leases meet the definition of an investment property and has classified them as such; therefore, the fair value model is applied to those assets, and gains and losses on changes in fair value are recorded in profit or loss. The payments on these leases are nominal, and are therefore exempt from recognition as low-value leases.

The Company has also entered into commercial and residential property leases on its investment properties. The Company as a lessor, has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains the significant risks and rewards of ownership of these properties and therefore accounts for these agreements as operating leases.

For other leases of low-value assets or short-term leases that end within 12 months of the commencement date and which have no renewal or purchase option, the Company has elected to apply the recognition exemptions specified in IFRS 16, allowing the Company to continue to expense the lease payments in the period in which they are incurred. The total of such expenses was \$5,092 for the 2021 fiscal year (2020 - \$9,109).

q. Provisions and contingent liabilities

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of the provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense of any provision is recognized in the consolidated statement of operations net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

Contingent liabilities are disclosed if there is a possible future obligation as a result of a past event, or if there is a present obligation as a result of a past event but either a payment is not probable or the amount cannot be reasonably estimated.

r. Due from and to brokers

Amounts due from and to brokers represent negative cash balances or margin accounts, and pending trades on the purchase or sale of securities. Where terms in the prime brokerage agreements permit the prime broker to settle margin balances with cash accounts or collateral, the due from brokers cash balances are offset against the due to brokers margin balances at each prime broker.

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s. Marketable Securities

The Company presents results from trading marketable securities on both a realized and unrealized basis separately in profit and loss. A realized gain or loss is recorded upon transfer of ownership of a marketable security, calculated as proceeds (net of broker fees) less its cost which is measured on a first-in-first-out (“FIFO”) basis. Unrealized gains and losses are the fair value adjustments to positions still held at reporting dates.

t. Futures Contracts

The Company may invest in financial futures contracts (“futures contracts”) for the purpose of hedging its existing portfolio securities or for speculative reasons.

Upon entering into a futures contract, the Company is required to pledge to the broker an amount of cash and/or other assets equal to a certain percentage of the contract amount. This payment is known as “initial margin.” Subsequent payments, known as “variation margin,” are calculated each day, depending on the daily fluctuations in the fair value/market value of the underlying assets. An unrealised gain or loss equal to the variation margin is recognised on a daily basis and carried on the balance sheet. When the contract expires or is closed the gain (loss) is realised and is presented in the Statement of Operations as a realised gain (loss) on short term investments. Futures contracts are valued daily at their last quoted sale price on the exchange they are traded. A “sale” of a futures contract means a contractual obligation to deliver the securities or foreign currency called for by the contract at a fixed price at a specified time in the future. 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.

u. Current Accounting Policy Changes

There were no accounting policy changes which impacted the Company in the December 31, 2021 fiscal year, however notes 3g, 3r and 3t above were adopted this year.

v. Future Accounting Policy Changes

IAS 1, Presentation of Financial Statements (“IAS 1”) The IASB issued ‘Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)’ in January 2020, affecting the presentation of liabilities in the statement of financial position. The narrow-scope amendments to IAS 1 clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date. The amendments also clarify what IAS 1 means when it refers to the ‘settlement’ of a liability. The amendments must be applied retrospectively in accordance with the normal requirements of IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”). The amendments are effective for annual periods beginning on or after January 1, 2023 (in accordance with ‘Classification of Liabilities as Current or Non-Current – Deferral of Effective Date (Amendment to IAS 1) issued by the IASB in July 2020), with earlier application permitted. The amendments have not been early adopted by the Company. The Company is currently assessing any potential impact of this amendment.

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w. Comparative Figures

Certain comparative figures have been reclassified to conform with the basis of presentation applied for the year ended December 31, 2021. Specifically, we have reclassified \$2,320 to due from brokers from cash and marketable securities respectively, all within current assets.

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.

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(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 December 31, 2021 and 2020, Management has made the judgment that none of the Company's assets meet the criteria to be classified as held for sale. While this is due to a number of factors, a primary reason is that due to the conditions of the Mongolian economy and the lack of liquidity in the market, management was unable to conclude that the sale of any significant size asset could be considered highly probable.

- Judgement is required in determining whether the Company's Investment property and land use rights titles are at risk. As at December 31, 2020, Management 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 December 31, 2021, all land titles of the Company's Investment Properties were current.

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5 Cash

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

The following table discloses the geographical location of cash:

	2021	2020
	\$	\$
Barbados	1,560,652	1,006,689
Canada	274,900	218,694
United States	313,036	-
Mongolia	247,723	136,388
Total cash	2,396,311	1,361,771

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

The credit quality of cash balances may be summarized based on Standard and Poor's ratings or equivalents of Moody's and/or Fitch ratings. The credit quality at December 31 was as follows:

	2021	2020
	\$	\$
Cash on hand	2,272	1,916
A or A+ rated	460,755	199,491
B- or B+ rated	368,234	134,471
BBB+ rated	1,559,329*	1,005,228
Unrated	5,721	20,665
Total cash	2,396,311	1,361,771

*Cash is held in a brokerage account, at which the Company also has a margin balance due and payable at December 31, 2021 (Note 6).

The unrated balance relates to one private bank in Barbados (2020 – one) one brokerage company in Canada (2020 – one) and a cryptocurrency platform. The BBB+ rating relates to a brokerage company in the United States.

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.

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

Short and long term debt

	2021	2020
	\$	\$
Current	60,000	-
Non-current	-	40,000
	60,000	40,000

a) Due from and due to brokers

The Company has margin facilities with its prime brokers. As at December 31, 2021 and 2020, 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 December 31, 2021, the Company had net margin borrowings of \$7,614,540 (2020 – net cash on deposit of \$1,006,568). 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

	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)

	2020		
	Gross amounts due from brokers	Gross amounts due to brokers	Net amounts
	\$	\$	\$
Due from brokers	1,415	(42)	1,373
Due to brokers	-	-	-

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

Equity Investments and other holdings

	December 31, 2021 \$	December 31, 2020 \$
Assets		
Equity securities	30,778,337	10,612,071
Options on futures	7,006,506	-
Calls	7,952	-
Puts	10,058	-
	37,802,853	10,612,071

Securities sold short and derivative liabilities

	December 31, 2021 \$	December 31, 2020 \$
Liabilities		
Options on futures	2,598,477	-
Calls	47,835	-
Puts	6,017	39,223
	2,652,329	39,223

Futures

	December 31, 2021 \$	December 31, 2020 \$
Cost Basis	\$2,768,220	-
Unrealized gains on futures contract	\$311,437	-
Fair Market Value	\$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 unrealised gain or loss equal to the change in value of the contract is recognised on a daily basis and carried on the balance sheet.

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8 Subscription Revenue

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

The Company has been working on building a data analytics service, named KEDM, during the last twelve months, 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.

Contract Liabilities:

As of December 31, 2021, the Company has unearned revenue of \$1,035,471 to be fully recognized during fiscal 2022 in accordance with contract terms (December 31, 2020 - \$nil).

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

	December 31, 2021 \$	December 31, 2020 \$
Balance - beginning of year	-	-
Net purchases	314,419	-
Unrealized loss	(42,606)	-
Foreign currency loss	(4,923)	-
Balance - end of year	<u>266,890</u>	<u>-</u>

During the year, the Company opened a digital currency account at Kraken Custody and purchased Monero (XMR) cryptocurrency.

10 Other assets

	December 31, 2021 \$	December 31, 2020 \$
Accounts receivable	29,888	134,869
Long term receivable	111,722	-
Allowance for doubtful debt	(55,862)	-
Prepaid expenses	55,192	24,860
	<u>140,940</u>	<u>159,729</u>

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10 Other assets (continued)

As of December 31, 2021, the Company reclassified the \$111,722 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

	2021	2020
	\$	\$
Balance - beginning of year	14,542,236	18,831,985
Acquisitions	-	145,412
Disposals	(2,163,008)	(583,372)
Fair value adjustment	(441,870)	(2,700,069)
Foreign exchange adjustments	(51,451)	(1,151,720)
	<hr/>	<hr/>
Balance – end of year	11,885,907	14,542,236

During the year ended December 31, 2021, the Company sold eight properties for net proceeds of \$2,125,367 resulting in a net loss of \$37,641. During the year ended December 31, 2020, the Company sold three properties for total proceeds of \$690,134 resulting in a net gain of \$106,762 and acquired a property for \$145,412 through the sale of a property during the prior year. During the year, the Company recognized an unrealized fair value impairment of \$441,870 (2020 - \$2,700,069 loss) on its property portfolio.

Investment properties by major category are as follows:

	2021	2020
	\$	\$
Office	925,127	896,266
Retail	7,119,588	9,415,983
Land and redevelopment sites	3,841,192	4,229,987
	<hr/>	<hr/>
	11,885,907	14,542,236

Investment properties with an aggregate fair value of \$10,187,412 (2020 - \$9,245,117) in addition to the two Property and Equipment properties of \$2,201,317 were valued by external independent valuation professionals who are deemed to be qualified appraisers who hold a recognized, relevant, professional qualification and who has recent experience in the locations and categories of the investment properties valued. The remaining balance of investment properties were valued internally.

The Company determined the fair value of investment properties using the income approach and the sales comparison approach, which are generally accepted appraisal methodologies.

Under the income approach, the methodology used was the direct capitalization approach which is based on rental income and yields. Rental incomes were based on current rent and reasonable and supportable assumptions that represent what knowledgeable, willing parties would assume about rental income from future rent in light of current conditions adjusted for non-recoverable property costs. Yields were determined using data from real estate agencies, market reports and property location among other things in determining the appropriate assumptions. Under this

Mongolia Growth Group Ltd.

Notes to the Consolidated Financial Statements

For the year ended December 31

(Expressed in Canadian dollars)

11 Investment properties (continued)

method, year one income is stabilized and capped at a rate deemed appropriate for each investment property.

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

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

Due to the COVID-19 pandemic and its ongoing impact on the economy, and specifically its unknown future impact on the real estate market, there is heightened uncertainty surrounding the valuation of the investment properties. Consequently, there is a need to apply a higher degree of judgment as it pertains to the forward-looking assumptions that underlie the Company's valuation methodologies. In addition, less weight can be ascribed to previous market evidence, for comparative purposes, to inform opinions of value. Given this impact on the availability of reliable market metrics, fair values at December 31, 2021 may be subject to material change.

The Company currently has a standing agreement with the owner of a 42 sq. meter apartment which has been included in one of the Company's properties classified as land and redevelopment. The agreement entitles the owner of the apartment to 84 sq. meters of space on the first floor of a new building to be built on this land. In this agreement, the Company had an obligation to complete the construction of a new building by the end of fiscal 2017 and the agreement was not extended. A liability of \$263,667 (2020 - \$223,693) is currently included in the Company's trade payables and accrued liabilities (note 13) to reflect this liability. In addition, the Company has recognized an unrealized fair value impairment of \$995,949 included in investment properties (2020 -\$1,108,907) in excess of the fair value adjustment calculated using the valuation approaches described. This adjustment is Management's estimate of the market's perception of the risk related to this agreement, and is included within the unrealized gain (loss) on fair value adjustment on Investment properties within profit and loss. Refer to Note 17 for additional information.

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

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

	2021		
	Maximum	Minimum	Weighted- average
Capitalization rate	13.1%	9.0%	11.8%

	2020		
	Maximum	Minimum	Weighted- average
Capitalization rate	11.0%	8.9%	9.7%

Mongolia Growth Group Ltd.

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11 Investment properties (continued)

The following sensitivity table outlines the impact of a 0.25% change in the weighted average capitalization rate on investment properties at 2021:

	Change to fair value if capitalization rate increased 0.25%	Change to fair value if capitalization rate decreases 0.25%
Investment property	(25,790)	26,898

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

Investment properties of \$73,321 (2020 - \$3,455,674) have no rental revenue associated with them at December 31, 2021.

Investment properties include land use rights held under operating leases with an aggregate fair value of \$3,841,192 (2020 - \$4,229,987) at December 31, 2021.

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

	2021	2020
	\$	\$
Less than 1 year	608,538	769,266
Between 1 and 5 years	265,126	158,875
Beyond 5 years	-	-
	873,664	928,141

Direct operating expenses arising from investment properties that generated rental income during the year was \$757,564 (2020 - \$855,822). Direct operating expenses arising from investment properties that did not generate rental income during the year was \$1,536 (2020 - \$5,114).

The Company's operating leases, in which the Company is the lessor, are structured such that the weighted average length of the leases as at December 31, 2021 was 10.6 months (9.2 months as at December 2020), calculated as a percentage of monthly revenues.

Mongolia Growth Group Ltd.

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12 Property and equipment

	2021			
	Furniture and fixtures \$	Equipment \$	Buildings \$	Total \$
Cost				
At January 1	72,194	126,541	1,733,299	1,932,034
Additions	-	-	941,847	941,847
Disposals	(10,641)	(3,843)	-	(14,484)
Reversal of impairment	-	-	53,630	53,630
Foreign exchange adjustment	(1,560)	7,100	(2,578)	2,962
At December 31	59,993	129,798	2,726,198	2,915,989

	2021			
	Furniture and fixtures \$	Equipment \$	Buildings \$	Total \$
Accumulated depreciation				
At January 1	54,401	116,680	467,712	638,793
Depreciation	5,170	9,569	57,369	72,108
Disposals	(10,641)	(3,843)	-	(14,484)
Foreign exchange adjustment	(211)	(224)	(200)	(635)
At December 31	48,719	122,182	524,881	695,782
Net book value at December 31	11,274	7,616	2,201,317	2,220,207

During the year ended December 31, 2021 the Company recognized a reversal of impairment on its corporate office building of \$53,630 (2020 – impairment of \$36,426) which was implied by the same valuation methodology described in note 11. During the year ended December 31, 2021, the Company purchased an office building in Puerto Rico at a cost of \$821,591 and made improvements totaling \$120,256. This property will serve as a Corporate office in Puerto Rico and the remainder will be rented out to affiliated and non affiliated parties.

Mongolia Growth Group Ltd.

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12 Property and equipment (continued)

	2020			
	Furniture and fixtures \$	Equipment \$	Buildings \$	Total \$
Cost				
December 31	70,944	128,444	1,800,646	2,000,034
Additions	-	705	-	705
Disposals	-	(2,858)	-	(2,858)
Reversal of impairment	-	-	(36,426)	(36,426)
Foreign exchange adjustment	1,250	250	(30,921)	(29,421)
At December 31	72,194	126,541	1,733,299	1,932,034
	2020			
	Furniture and fixtures \$	Equipment \$	Buildings \$	Total \$
Accumulated depreciation				
At January 1	45,047	107,759	411,578	564,384
Depreciation	6,901	11,525	50,369	68,795
Disposals	-	(2,858)	-	(2,858)
Foreign exchange adjustment	2,453	254	5,765	8,472
At December 31	54,401	116,680	467,712	638,793
Net book value at December 31	17,793	9,861	1,265,587	1,293,241

13 Trade payables and accrued liabilities

	2021 \$	2020 \$
Trade and accrued payables	574,681	252,412
Property commitment (note 10)	263,667	223,693
Security deposits	75,043	88,437
	913,391	564,542

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

Mongolia Growth Group Ltd.

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14 Income taxes

a) Effective tax rate

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

	2021	2020
	\$	\$
Net income (loss) before income taxes	16,081,911	3,625,805
Combined statutory tax rate	26.5%	26.5%
Tax payable (recoverable) based on statutory tax rate	4,262,000	961,000
Effect of:		
Permanent differences	1,676,000	690,000
Change in statutory, foreign tax, foreign exchange rates and other	(2,446,395)	(1,157,739)
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses	(436,000)	48,000
Change in unrecognised deductible tax differences	(2,523,000)	(643,000)
Total income tax expense (recovery)	532,605	(101,739)
Provision for (recovery of) income taxes		
Current	1,197	1,312
Deferred	531,408	(103,051)
	532,605	(101,739)

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Notes to the Consolidated Financial Statements

For the year ended December 31

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14 Income taxes (continued)

b) Deferred income taxes

Differences between IFRS and statutory taxation regulations in Mongolia give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The Company did not recognize a deferred tax asset in these Consolidated Financial Statements as there is uncertainty with regard to the recoverability of the asset for both the Canadian and Mongolian entities.

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

	2021	2020
	\$	\$
Deferred Tax Assets (liabilities)		
Property and equipment	52,000	51,000
Investment properties	(434,244)	(478,836)
Marketable security	(1,637,000)	-
Allowable capital losses	-	98,000
Non-capital losses available for future period	1,028,000	2,393,000
	<u>(991,244)</u>	<u>2,063,164</u>
Unrecognized deferred tax assets	<u>(19,000)</u>	<u>(2,542,000)</u>
Net deferred tax liability	<u>(1,010,244)</u>	<u>(478,836)</u>

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

Temporary Differences	2021	Expiry Date Range	2020	Expiry Date Range
Property and equipment	11,000	No expiry date	194,000	No expiry date
Allowable capital losses	-	No expiry date	371,000	No expiry date
Non-capital losses available for future period	<u>58,000</u>	No expiry date	<u>9,028,000</u>	<u>2030 to 2039</u>

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

Mongolia Growth Group Ltd.

Notes to the Consolidated Financial Statements

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15 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, 2019	32,767,499	53,504,935
Shares re-purchased	-	(339,688)
Treasury stock cancelled	(1,486,000)	-
Balance, December 31, 2020	31,281,499	53,165,247
Shares re-purchased	-	(2,161,125)
Treasury stock cancelled	(3,503,000)	-
Balance, December 31, 2021	27,778,499	51,004,122

As at December 31, 2021, the Company held nil (2020 -191,500) shares in treasury.

Options

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

	December 31, 2021	Weighted average exercise price \$	December 31, 2020	Weighted average exercise price \$
Balance, beginning of the year	-	-	1,420,000	0.73
Options expired	-	-	(1,420,000)	(0.73)
Options cancelled	-	-	-	-
Options granted	-	-	-	-
Options exercised	-	-	-	-
Options forfeited	-	-	-	-
Balance, end of the year	-	-	-	-
Exercisable	-	-	-	-
Weighted remaining average life (years)	-	-	-	-

There were no options outstanding as of December 31, 2021 and the Company's option plan has since lapsed.

Mongolia Growth Group Ltd.

Notes to the Consolidated Financial Statements

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(Expressed in Canadian dollars)

15 Share capital and contributed surplus (continued)

Earnings per share

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

	2021	2020
Weighted average number of shares - basic	29,309,116	32,102,372
Effect of dilutive stock options	-	-
	<u>29,309,116</u>	<u>32,102,372</u>

Basic earnings (loss) per share are derived by dividing net income (loss) for the year by the weighted average number of common shares outstanding for the period.

16 Management of capital structure

The Company's objective when managing capital is to ensure the Company is capitalized in a manner which provides a strong financial position for its shareholders.

The Company's capital structure includes equity and working capital. In managing its capital structure, the Company considers future investment and acquisition opportunities, potential credit available and potential issuances of new equity. The Company's objective is to maintain a flexible capital structure that will allow it to execute its stated business. There was no change in the Company's strategy or objective in managing capital since the prior year. There are no externally imposed capital requirements at year end. Upon acquiring investment properties and operating businesses, the Company will strive to balance its proportion of debt and equity within its capital structure in accordance with the needs of the continuing business. The Company may, from time to time, issue shares and adjust its spending to manage current and projected proportions as deemed appropriate.

	2021	2020
	\$	\$
Current assets	40,809,029	12,134,944
Current liabilities	<u>(13,839,334)</u>	<u>(605,158)</u>
Working capital	<u>26,969,695</u>	<u>11,529,786</u>

The method used by the Company to monitor its capital is based on an assessment of the Company's working capital position relative to its projected obligations.

Mongolia Growth Group Ltd.

Notes to the Consolidated Financial Statements

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(Expressed in Canadian dollars)

17 Financial risk management

The Board of Directors ensures that management has put appropriate risk management processes in place. Through the Audit Committee, the Board oversees such risk management procedures and controls. Management provides updates to the Audit Committee on a quarterly basis with respect to risk management.

Catastrophe risk

The Company has obtained insurance on buildings and all permanent fixtures totalling approximately \$8,300,000 effective May 8th 2021 (\$11,700,000 - May 7th 2020). To date the Company has not been able to obtain insurance on its Puerto Rican property with a value of \$930,825 at December 31, 2021.

Credit risk

Credit risk is the risk of an unexpected financial loss to the Company if a third party fails to fulfill its performance obligations under the terms of a financial instrument. The Company's credit risk arises principally from the Company's cash and receivables as well as its marketable securities portfolio.

The Company's maximum exposure to credit risk comprises the carrying values of cash, accounts receivable and marketable securities was \$40,653,861 at December 31, 2021 (December 31, 2020 - \$12,134,944).

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

The Company is exposed to credit risk as an owner of real estate in that tenants may become unable to pay the contracted rents. The Company mitigates this risk by carrying out appropriate credit checks and related due diligence on the significant tenants. The Company's properties are diversified across commercial classes.

Liquidity risk

Liquidity risk is the risk of having insufficient cash resources to meet financial obligations without raising funds at unfavourable rates or selling assets on a forced basis. Liquidity risk arises from the general business activities and in the course of managing the assets and liabilities. The purpose of liquidity management is to ensure that there is sufficient cash to meet all financial commitments and obligations as they fall due. The liquidity requirements of the Company's business are met primarily by funds generated from operations, liquid investments and income and other returns received on investments. Cash provided from these sources is used primarily for investment property operating expenses.

As at December 31, 2021, the Company does not believe the current maturity profile of the Company lends itself to any material liquidity risk, taking into account the level of cash and marketable securities as at December 31, 2021. All financial assets and liabilities have contractual or expected maturities within 12 months, except for the CEBA loan which has repayment terms described in Note 6. Due to the short term nature of the Company's financial instruments, there is no material impact due to discounting or the time value of money to disclose.

Mongolia Growth Group Ltd.

Notes to the Consolidated Financial Statements

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(Expressed in Canadian dollars)

17 Financial risk management (continued)

Equity price risk

Equity price risk is the risk that the fair value of equity investments and other holdings and equities sold short and derivatives will vary as a result of changes in the market prices of the holdings. The majority of the Company's equity investments and other holdings and all of the equities sold short and derivatives are based on quoted market prices as at the consolidated statement of financial position date. Changes in the market price of quoted securities and derivatives may be related to a change in the financial outlook of the investee entities or due to the market in general. Where non-monetary financial instruments – for example, equity securities – are traded in currencies other than the Canadian dollar, the price, initially expressed in a foreign currency and then converted into Canadian dollars, will also fluctuate because of changes in foreign exchange rates.

Securities sold short represent obligations of the Company to make future delivery of specific securities and create an obligation to purchase the security at market prices prevailing at the later delivery date. This creates the risk that the Company's ultimate obligation to satisfy the delivery requirements will exceed the amount of the proceeds initially received or the liability recorded in the consolidated financial statements. In addition, the Company has entered into derivative financial instruments which have a notional value greater than their fair value which is recorded in the consolidated financial statements. This information is disclosed in note 7 to these consolidated financial statements.

This creates a risk that the Company could settle these instruments at a value greater or less than the amount that they have been recorded in the consolidated financial statements. The Company's equity investments and other holdings have a downside risk limited to their carrying value, while the risk of equities sold short and derivatives is open-ended. The Company is subject to commercial margin requirements which act as a barrier to the open-ended risks of the equities sold short and derivatives. The Company closely monitors both its equity investments and other holdings and its equities sold short and derivatives.

Currency risk

Currency risk is the risk that the value of monetary financial assets and financial liabilities denominated in foreign currencies will vary as a result of changes in underlying foreign exchange rates. The Company is exposed to currency risk due to potential variations in currencies other than the Canadian dollar.

As at December 31, 2021, the Company had material exposure to the Mongolian Tögrög, the US Dollar and the Russian Ruble. The approximate impact of a 10% fluctuation of the foreign currency against the Canadian dollar are as follows:

	Impact of 10% fluctuation in foreign currency	
	2021	2020
	\$	\$
Mongolian Tögrög	1,304,329	1,509,967
US Dollar	2,777,545	1,113,075
Russian Ruble	182,754	365

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17 Financial risk management (continued)

Other price risk

Other price risk market fluctuation risk is where fluctuations in the value of equity securities affect the level and timing of recognition of gains and losses on securities held, and cause changes in realized and unrealized gains and losses. The Company's marketable securities are exposed to other price risk. The approximate impact of a fluctuation of 10% in the price of the marketable securities would impact the value of the marketable securities by \$3,780,285 (2020 - \$1,057,422).

Economic risk

Mongolian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Company may be challenged by tax authorities.

Mongolian tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged by tax authorities. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Mongolian tax legislation does not provide definitive guidance in certain areas, specifically in areas such as Value added tax (VAT), corporate income tax, personal income tax and other areas. From time to time, the Company adopts interpretations of such uncertain areas that reduce the overall tax rate of the Company. As noted above, such tax positions may come under heightened scrutiny as a result of recent developments in administrative and court practices. The impact of any challenge by the tax authorities cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the entity.

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

Management performs regular re-assessments of tax risk and its position may change in the future as a result of the change in conditions that cannot be anticipated with sufficient certainty at present.

18 Related party transactions

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

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

	2021	2020
	\$	\$
Salaries and other short-term employee benefits	661,332	479,281
Director fees	60,000	40,000
	721,332	519,281

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18 Related party transactions (continued)

During 2021, the Company agreed to reimburse a Company owned by an officer of the Company, \$233,933 for professional fees incurred from shared services.

As at December 31, 2021, amounts due to related parties totaled approximately \$140,000 (2020 - \$45,000) comprised of fees owed to management were included in trade payables and accrued liabilities.

19 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. See note 11 for more information.

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.

20 Supplementary cash flow information

	2021	2020
	\$	\$
Changes in non-working capital arising from		
Unearned Revenue	1,035,470	-
Other assets	(37,073)	1,064,637
Net due to / (from) broker	9,172,922	(586,325)
Trade payables and accrued liabilities	348,849	(178,941)
Income tax payable	2,882	(8,323)
Changes in non-cash working capital from operating activities	10,523,050	291,048

Income tax paid during the year was \$2,416 (2020 - \$32,914). Interest paid during the year was \$74 (2020 - \$21).

21 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.

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21 Segment information (continued)

The Company evaluates performance based on net income (loss) before income taxes.

				2021
	Investment Property	Corporate	Subscription Products	Total
	\$	\$	\$	\$
Rental income	679,091	-	-	679,091
Subscription revenue	-	-	944,411	944,411
Property operating expenses	(759,100)	(1,683)	-	(760,783)
Unrealized loss on investment properties	(441,870)	-	-	(441,870)
Reversal of impairment of PPE	53,630	-	-	53,630
Unrealized mark to market gain	-	7,946,088	-	7,946,088
Unrealized loss on digital assets	-	(42,606)	-	(42,606)
Other expenses	(246,036)	(1,810,566)	(210,927)	(2,267,529)
Subscription processing fees	-	-	(69,157)	(69,157)
Depreciation	(61,086)	(11,022)	-	(72,108)
Loss on disposal of investment property	(37,641)	-	-	(37,641)
Other revenue	190,850	-	-	190,850
Realized gain on marketable securities	-	10,306,006	-	10,306,006
Reclassification of a cumulative other comprehensive income on disposal of subsidiary	(33,006)	-	-	(33,006)
Foreign Currency gain (loss)	1,201	(314,666)	-	(313,465)
Net income (loss) before income taxes	(653,967)	16,071,551	664,327	16,081,911
				2020
	Investment Property	Corporate		Total
	\$	\$		\$
Rental income	756,283	-	-	756,283
Property operating expenses	(860,936)	-	-	(860,936)
Unrealized loss on investment properties	(2,700,069)	-	-	(2,700,069)
Impairment of PPE	(36,426)	-	-	(36,426)
Unrealized mark to market gain	-	4,265,403	-	4,265,403
Other expenses	(267,695)	(910,968)	-	(1,178,663)
Depreciation	(68,795)	-	-	(68,795)
Gain on disposal of investment property	106,762	-	-	106,762
Other revenue	68,170	-	-	68,170
Realized gain on marketable securities	-	3,288,803	-	3,288,803
Foreign currency gain (loss)	6,724	(21,451)	-	(14,727)
Net income (loss) before income taxes	(2,995,982)	6,621,787	3,625,805	3,625,805

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21 Segment information (continued)

Balance as of December 31, 2021	Investment Property \$	Subscription products \$	Corporate \$	Total \$
Total assets	13,530,741	-	41,496,124	55,026,865
Property and equipment	1,278,360	-	941,847	2,220,207
Investment properties	11,885,907	-	-	11,885,907
Expenditures				
Property and equipment	-	-	941,847	941,847
Investment properties	-	-	-	-
Total liabilities	913,319	1,035,471	12,900,788	14,849,578

Balance as of December 31, 2020	Investment Property \$	Corporate \$	Total \$
Total assets	16,126,640	11,843,781	27,970,421
Property and equipment	1,293,241	-	1,293,241
Investment properties	14,542,236	-	14,542,236
Expenditures			
Property and equipment	705	-	705
Investment properties	145,412	-	145,412
Total liabilities	922,514	201,480	1,123,994

	Trade payables and accrued liabilities		Revenue		Property and equipment		Investment property	
	2021 \$	2020 \$	2021 \$	2020 \$	2021 \$	2020 \$	2021 \$	2020 \$
Canada	544,422	201,479	944,411	-	-	-	-	-
USA	162,195	-	-	-	941,847	-	-	-
Mongolia	206,774	363,063	832,300	931,215	1,278,360	1,293,241	11,885,907	14,564,844
	913,391	564,542	1,776,711	931,215	2,220,207	1,293,241	11,885,907	14,564,844

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22 Other expenses

	2021	2020
	\$	\$
Investor relations	22,480	22,537
Investment research expense	52,942	49,772
Repairs and maintenance	48,987	25,122
Office	98,651	69,448
Professional fees	1,176,824	771,864
Travel	30,999	18,835
Advertising	12,552	10,609
Land and property tax	94,507	77,262
Insurance	49,775	70,858
Utilities	53,807	127,173
Other	287,998	196,920
Subscription processing fees	69,157	-
Subscription product expenses	210,927	-
	<hr/>	<hr/>
	2,209,606	1,440,400

23 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.

24 Disposal of Subsidiary

On October 1st, 2021, the Company disposed of its interest in its Orpheus LLC subsidiary as a result of the sale of one of its land packages. The Company held 100% of the shares of Orpheus LLC where the only assets and liabilities were related to the property. In connection with the sale, the Company received cash considerations of \$375,244 for assets with a fair market value of \$478,936, resulting in a loss of \$103,692 classified as loss on disposal of investment property in profit and loss. Orpheus LLC had \$33,006 other comprehensive income and it was reclassified to profit and loss.

25 Subsequent events

- The Company has sold two properties for total proceeds of approximately \$381,000 and a net gain of \$nil.