

Mongolia Growth Group

Announces First Quarter 2016 Results

TORONTO, CANADA, May 25, 2016 /FSC/ - Mongolia Growth Group Ltd.

(YAK - TSXV and MNGGF - USA) ("MGG") or ("the Company") a commercial real estate investment and development company participating in the growth of the Mongolian economy announces its financial results for the first quarter of 2016 and is pleased to report continued progress on improving operations and reducing costs.

Highlights for the quarter:

- Improvements in operational performance have reduced negative quarterly AFFO by 59% to CDN \$119,712 when compared to the first quarter of 2015 when negative AFFO was CDN \$290,744
- Reduced expenses excluding non-cash expense from \$799,781 to \$603,957 when compared to the first quarter of 2015, a decrease of 24%, despite the cost of various marketing initiatives
- Rental revenue only declined by 9% when compared to the first quarter of 2015 despite a substantially more rapid deterioration in market lease rates

"We are proud to report year over year improvements in negative AFFO despite the accelerating weakness in the Mongolian economy," said Harris Kupperman, Chairman and CEO of MGG. We had a good start to the quarter, but the continued depreciation of the Mongolian Togrog to Canadian Dollar exchange rate (9.5% during the quarter) hurt overall results as approximately half of our expenses are in Canadian Dollars.

"As the quarter progressed, we experienced continued tenant turnover due to the deteriorating economy. Our team has done an outstanding job at coping with this turnover but new leases continue to be signed at lower rates than prior leases. Additionally, we have experienced higher renovation expenses to prepare properties for new tenants.

"We spent 2015 focused on improving our operations and reducing costs. The results on the expense side show the continued and dramatic progress that has been made to eliminate costs. Unfortunately, this improvement has been offset by an accelerating decline in lease rates which has led our AFFO to continue to be negative, though dramatically less negative than during prior years.

"While we believe that there are some additional cost savings that we can crystalize during 2016, the revenue side of the equation is expected to get worse in future quarters. With rental rates in a downward trend, our focus continues to be on efficiency gains and cost reductions while we push ahead with our agency business.

"Our goal during this downturn is to lose as little as possible and preserve the value of our company for when the recovery arrives."

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

- During the second quarter, we have no discreet goals beyond trying to keep AFFO from deteriorating too badly from first quarter results.

Prior Quarter Scorecard

Goal- *Continue to increase agency revenues quarter over quarter*

Result- During the first quarter, we completed 2 agency transactions. However there was not a sizable increase in revenues as we have chosen to wait until the launch of our website before pushing more aggressively into the agency business.

Goal- *Identify Additional Cost Cutting Opportunities*

Result-We continue to find additional cost cutting opportunities.

Selected Financial Information (CAD)

	Quarter Ended	Quarter Ended
	31-March 2016 (\$)	31-March 2015 (\$)
Total Revenue		
Rental Revenue	490,442	538,249
Gain (loss) on Disposal of investment property	(10,352)	14,483
Other revenue	10,070	25,020
Total Revenue	490,160	577,752
Expenses		
Salaries and wages	261,928	276,508
Share based payment	151,912	169,261
Depreciation	17,593	30,951
Administration	13,986	56,012
Repairs and maintenance	26,471	8,997
Office	13,437	22,659
Professional fees	136,292	206,264
Travel	7,956	13,977
Advertising	2,683	7,285
Land and property tax	47,098	64,694
Insurance	17,407	65,839
Utilities	49,357	50,343
Other	27,342	27,203
Total Expenses	773,462	999,993
Finance Expense	-	-
Impairment	-	-
Net Investment income	3,903	5,145
Unrealized gain (loss) on fair value adjustment of investment properties	-	-
Net loss before income tax	(279,399)	(417,096)
Recovery of income taxes	4,027	44,105
Net income (loss) for the period	(275,372)	(372,991)
Net Income (loss) per share (basic)	(0.01)	(0.01)
Net income (loss) per share (diluted)	(0.01)	(0.01)

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

The analysis below shows a reconciliation of the Corporation's net income to FFO and AFFO for the quarters ended March 31, 2016 and March 31, 2015.

	Quarter ended	Quarter ended
	31-March	31-March
	2016	2015
	(\$)	(\$)
Net Income for the period	(275,372)	(372,991)
<i>Add (deduct) items not affecting cash</i>		
Unrealized Change in fair value of investment properties	-	-
Depreciation and amortization of investment Properties	1,530	18,374
Loss (gain) from sales of investment properties	10,352	(14,483)
Tax on sales on investment property	4,888	20,002
Deferred Taxes	(13,022)	(93,008)
Impairment on all real estate assets	-	-
Impairment of other assets	-	-
Loss (gain) on PP&E properties	-	(17,899)
Share Based Payments	151,912	169,261
Funds From Operations	(119,712)	(290,744)
<i>Add (deduct)</i>		
Development costs not capitalized	-	-
Significant one-time expenses	-	-
Adjusted Funds From Operations	(119,712)	(290,744)
Per Unit – Basic		
Funds From Operations	0.00	(0.01)
Adjusted Funds From Operations	0.00	(0.01)
Per Unit – Diluted		
Funds From Operations	0.00	(0.01)
Adjusted Funds From Operations	0.00	(0.01)

Overall AFFO showed a significant improvement due to a 25% decline in expenses excluding share based payments and depreciation.

Balance Sheet

	31-March 2016 (\$)	31-December 2015 (\$)
Current Assets		
Cash and cash equivalents	967,564	1,035,272
Other assets	365,524	327,999
Non-current assets		
Investment properties	42,204,173	46,473,749
Property and equipment	2,703,986	2,978,150
Total assets	46,241,247	50,815,170
Liabilities		
Current liabilities		
Trade payables and accrued liabilities	599,071	704,426
Income taxes payable	161,797	146,290
Non-current liabilities		
Deferred income tax liability	891,645	990,109
Total liabilities	1,652,513	1,840,825
Equity		
Share capital	54,361,932	54,369,332
Contributed surplus	6,890,787	6,738,875
Accumulated other comprehensive loss	(5,390,016)	(1,135,265)
Deficit	(11,273,969)	(10,998,597)
Total equity	44,588,734	48,974,345
Total equity and liabilities	46,241,247	50,815,170

Unrealized Change in Fair Value of Properties

During the quarter, the Company did not experience a change in the fair value of its properties. The Company continues to monitor property values and it is anticipated that the Company may experience future impairments to its portfolio if property values continue to decline.

Liquidity and Capital Resources

The Company ended the quarter with \$967,564 of cash and cash equivalents and no debt. The Company intends to address its reduced cash balance through additional asset sales during 2016. Unfortunately, overall liquidity in the marketplace has effectively evaporated except for properties offered at substantial discounts to existing market prices. To date, the Corporation has focused on maintaining sufficient liquidity so that it is not forced to make sales at disadvantageous prices.

Portfolio Data

The following table represents properties classified as Investment Properties, as of March 31, 2016:

	2016			2015		
	# of Properties	Value at 31-Mar-16 \$CDN	Meters	# of Properties	Value at 31-Dec-15 \$CDN	Meters
Residential	1	260,357	-	1	285,170	-
Office	3	4,245,093	2,650	3	4,649,657	2,650
Retail	25	23,355,435	8,370	26	25,842,765	8,532
Land and Redevelopment	4	14,330,445	7,058	4	15,696,158	7,058
Total	33	42,191,330	18,078	34	46,473,750	18,240

Outlook

The recent decision to recommence underground development of the massive Oyu Tolgoi copper deposit is a substantial positive for the Mongolian economy. However, to date, while sentiment in Mongolia has improved, the Company has not seen any increase in demand for space. Instead, during the first six weeks of the second quarter, there has been a very dramatic and continued decline in office rental rates as the pool of tenants continues to shrink while new supply comes online. Offsetting this, the Corporation has experienced less retail tenant turnover as tenants are hopeful that their businesses will recover and are holding onto well situated locations.

Recent weakness in the Mongolian Tögrög to Canadian Dollar exchange rate that began in early 2016 has put additional pressure on our rents when translated into Canadian Dollars. Roughly half of the Company's expenses are denominated in US and Canadian Dollars; hence a decline in the Tögrög increases the Company's costs while reducing rental revenues.

The Company believes that until the economy recovers, AFFO is likely to stabilize at current levels or deteriorate from here. Outside of growing the Corporation's agency business, revenues are expected to continue declining while expense cuts may be insufficient to offset the scale of the declines that the Corporation is facing.

Please see the Company's interim financial statements (the "Financial Statements") and related Management's Discussion & Analysis ("MD&A") for the quarter ended March 31, 2016 for more details. The Financial Statements and MD&A have been reviewed and approved by the Company's Audit Committee and Board of Directors. The Company has prepared news release to alert shareholders to the foregoing and that a more detailed explanation and analysis is readily available in the MD&A. These Financial Statements and MD&A have been are available for viewing under the Company's profile on SEDAR at www.sedar.com.

Non IFRS Measures

The Corporation refers to Funds from Operations ("FFO") and Adjusted Funds from Operations ("AFFO"). "FFO" is not defined under IFRS. The Corporation calculates FFO in accordance with the Real Property Association of Canada ("REALpac") White Paper on Funds from Operations issued April 2014. FFO is defined as net income (loss) and comprehensive income (loss) calculated in accordance with IFRS, excluding: (i) Unrealized change in fair value of investment properties (ii) depreciation and amortization of investment properties; (iii) gains (or losses) from sales of investment properties and equipment; (iv) tax on gains or losses of sale on investment properties (v) deferred income tax (expense) recovery; (vi) impairment/losses on all real estate assets (vii) Gains or losses on PPE properties (viii) share based

payments. "AFFO" is not defined under IFRS and may not be comparable to AFFO used by other issuers. The Corporation has defined AFFO as FFO subject to certain adjustments, including: development expenses not capitalized, large one-time expenses and other adjustments as determined by Management.

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

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

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Forward-looking Information and Statements

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

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

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