MONGOLIA GROWTH GROUP LTD.

Management Discussion & Analysis

September 30, 2012

**MONGOLIA GROWTH GROUP LTD.**

**Management Discussion & Analysis**

**September 30, 2012**

The management of Mongolia Growth Group Ltd. ("MGG" or "the Company") presents the Company's management discussion and analysis for the three and nine month period ended September 30, 2012 (the "MD&A"), compared with the three and nine month period ended September 30, 2011. As of January 1st, 2011, the Company adopted International Financial Reporting Standards ("IFRS"). This MD&A provides an overall discussion, followed by analyses of the performance of the Company's major reportable segments. The reporting and presentation currency in the consolidated financial statements and in this discussion and analysis is the Canadian dollar, unless otherwise noted.

This MD&A is dated November 26, 2012 and incorporates all relevant information and considerations to that date.

*The following discussion and analysis should be read in conjunction with the unaudited interim consolidated financial statements of the Company for the period ended September 30, 2012 and September 30, 2011 together with all of the notes, risk factors and information contained therein, available on SEDAR at www.sedar.com.*

**Non-IFRS Financial Measures**

This MD&A makes reference to earnings before interest, taxes, depreciation and amortization ("EBITDA"). MGG uses EBITDA as a measure of the performance of its operating subsidiaries as it excludes depreciation and interest charges, which are a function of the company's specific capital structure, and also excludes entity specific tax expense. These amounts are not performance measures as defined under IFRS and should not be considered either in isolation of, or as a substitute for, net earnings prepared in accordance with IFRS. The Company refers to "Funds used in operations", "operating losses" and "re-valuation of investment properties" within this analysis. "Funds used in operations" is computed by calculating the cash flow from operations before changes to non-cash working capital from operations.

**Forward Looking Statements**

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

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

**Overall Performance**

Mongolia Growth Group Ltd. is a Canadian holding company that invests in both the real estate and financial services industries in Mongolia. MGG is presently engaged in the business of: (i) the ownership of residential, retail and office investment properties; (ii) the management of investment properties; (iii) the repair, construction and development of investment properties; (iv) the underwriting of property and casualty insurance risks; and (v) the sales of property and casualty insurance.

*Property*

In all its investment property operations, MGG strives to provide the highest quality locations to tenants, which augments their accommodations, business sales, or office environment. MGG's strategy is to acquire the best-located properties in Mongolia, to repair and redevelop as needed, then to lease the properties to the tenant which benefits most from their location and quality.

The Company's property portfolio has grown through acquisition and to a lesser extent, through additions of space via construction. As new footage is integrated into the MGG model, the Company's ability to offer a unique product, multi-unit retail platforms, or large format office space has led to relationships with some of the largest businesses operating in Mongolia. The Company believes that by working with such successful firms, it will add value to the local firms which will benefit from such unique offerings, and will lead to excess profitability to the company, vis-à-vis above market rental yields.

As the Mongolian consumer has benefited from an increase in gross and disposable income, the tenancies of the Company's investment properties have been able to support increased rents. This market improvement in the rental business has supported company results as most re-let properties have seen double-digit increases in rents and a commensurate increase in property valuation.

The general property market continues to be influenced by improvement in the overall Mongolian economy. Since the beginning of the 2012 fiscal year, certain locations have seen a smaller increase in rental rates, generally at the mid-to-low end of the commercial property market or the high-end of the residential market, while well located high-end commercial properties and low-end residential properties have seen more substantial increases in rents.

Over the course of the year, moves by the Mongolian Central Bank to raise interbank rates and bank reserve requirements amongst banks have led to a slowdown in terms of monthly price appreciation of property values such that essentially, during the third quarter, there was no noticeable increase in property prices. However, rents have continued to increase, thus, capitalization rates have also increased, creating more opportunities.

The Company believes that increases in nominal gross domestic product will lead to further increases in both the rental rates and valuations of properties in Mongolia. MGG's property division should benefit from such increases in nominal gross domestic product due to the operational leverage inherent in a property business with relatively fixed operating costs. It is expected that the majority of the organic growth in the revenue of the property division going forward should accrue to the Company's bottom line due to such embedded operating leverage.

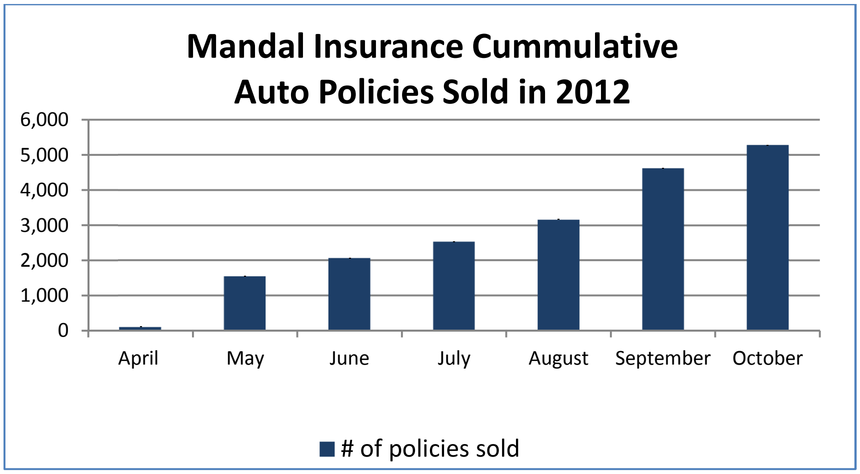
*Insurance*

The Company's insurance subsidiary (Mandal General Insurance or "Mandal") began underwriting in the fourth quarter of last year. The underwriting capacity and knowledge of the insurance subsidiary was acquired vis-à-vis the initial overfunding of the company in relation to its risks, and by the hiring of individuals that had previously obtained insurance experience in both Mongolia and abroad. The sales process for the insurance company is longer term in nature. Retail sales continue to substantially lag corporate sales, which are much larger in nature and are infrequent in occurrence.

As the Mongolian consumer and business market becomes larger and more understanding of the inherent benefits of insurance, the market is expected to grow substantially. According to the Financial Regulatory Commission ("FRC"), over the past five years, nationwide underwriting has grown at over 20% per annum. Due to the small nature of the insurance market, and the newness of the company's insurance subsidiary as an entrant in the market, the insurance subsidiary's primary focus has been on business systems development, product development, brand awareness, and marketing.

According to statistics produced by FRC, at the end of June 2012, Mandal represented 14.8%, 7.8%, 3.0% and 2.0% of the total equity capital, assets, gross premiums and net premiums of the Mongolian Insurance Market. This is an increase from 14.5%, 8.3%, 0.9% and 0.9% respectively at calendar year end 2011.

Mandal continues to have marketing success, particularly in mandatory driver's liability where the total policy count has now grown to 5,276 policies as of the end of October 2012.




**Economic Outlook**

The continued economic growth in the economy over the past quarter is thought to be attributable to the mining and construction boom taking place in Mongolia, mainly resulting from the construction of the Oyu Tolgoi copper and gold mine, and mining of various coal deposits. The associated infrastructure requirements for these projects have also served to continue to strengthen the local economy. Management has seen a resiliency in the local economy and has experienced a strong business environment. Since little construction takes place during the frigid Mongolian winter, there is a continued lack of sufficient commercial and residential property for tenants. This has led to recent increases in rental rates in most commercial market sectors, especially those in proximity to the downtown core.

The Mongolian real estate market appears to have hit a plateau without any noticeable increase in prices during the third quarter. However, the lack of bank financing for large scale real estate projects has led to a number of distressed towers that are in need of capital for completion. . Meanwhile, the Mongolian insurance markets continued to experience increased insurance underwriting.

## Selected Quarterly Financial Information

| | Quarter ended **September 30 2012** | Quarter ended **September 30 2011** | Quarter ended **September 30 2010** |
|---|---|---|---|
| Revenue and other income | 577,905 | 186,134 | 439 |
| | | | |
| **Income** | | | |
| Income (loss) from continuing operations attributable to equity holders of the Company * | (446,069) | (820,148) | (259,734) |
| Net Income (loss) attributable to equity holders of the Company | (446,069) | (820,148) | (259,734) |
| Comprehensive income (loss) attributable to equity holders of the Company | (3,021,333) | (466,953) | (259,734) |
| | | | |
| **Basic earnings per share ("EPS") (in dollars)** | | | |
| Earnings (loss) from continuing operations | (0.01) | (0.02) | (0.07) |
| Net income (loss) | (0.01) | (0.02) | (0.07) |
| | | | |
| **Diluted EPS (in dollars)** | | | |
| Earnings (loss) from continuing operations | (0.01) | (0.02) | (0.07) |
| Net Income (loss) | (0.01) | (0.02) | (0.07) |
| | | | |
| **Balance Sheet** | | | |
| Total Assets | 52,048,976 | 36,439,544 | 303,628 |
| Financial liabilities | 2,016,330 | 280,383 | 185,269 |
| Total Equity | 50,032,646 | 36,159,161 | 118,359 |
| Shares Outstanding at period end | 34,143,352 | 30,297,198 | 3,514,300 |
| Book Value per share | 1.47 | 1.19 | 0.03 |

## Results of Operations

As of September 30, 2012, MGG's operations continued to focus on the rapid growth of the Mongolian economy. As part of its corporate strategy of aggressive growth, the Company has continued to purchase rentable property, repair and expand existing properties, lease available properties, sell property and casualty insurance and participate in activities consistent with raising capital.

Refer to Note 10 of the interim financial statements of the Company for a table of segmented data.

*Revenues*

MGG's consolidated revenues for the quarter ended in September 30, 2012 increased to $577,905, from $186,134 during the quarter ended September 30, 2011. Consolidated revenues for the nine months ended September 30, 2012 increased to $1,619,259 from $228,397 for the nine months ending September 30, 2011. The majority of the increase in revenue is attributable to having a full nine months of operations in 2012 whereas 2011 the Company was in the start-up phase and did not have the same amount of rentable investment property in the property company for the entire nine month period.

The Company's investment property business contributed the majority of the revenue for the third quarter, $407,769 of rental income compared to $186,134 during the third quarter of 2011. The property business contributed rental income of $1,174,793 for the nine months ended September 30, 2012 compared to $228,397 for the nine months ended September 30, 2011. As well, related to investment properties, in the third quarter the Company realized a gain of $45,065 on disposal of investment properties which were classified as held for sale ($70,973 in Q2 2012, and $0 in Q3 2011). There were no properties disposed of in the first quarter of 2012 or the year ending 2011.

The Company's insurance business contributed $107,025 of net earned premium and $146,934 of net investment income during the third quarter of 2012. For the nine months ending September 30, 2012 the Company's insurance business contributed $297,690 of net earned premium and $433,742 of net investment income. The insurance business did not begin selling policies until the fourth quarter of 2011, and as such, no comparable figures are available for the period ending September 30, 2011.

The Company's corporate division earned $1,388 of net investment income for the third quarter and $6,758 for the nine months ending September 30, 2012. For the third quarter of 2011 the corporate division had a loss in investment income of $36,088 and a gain of $80,681 for the nine months ended September 30, 2011.

These increases in business activity were offset by a 12% decrease in the average exchange rate between the Mongolian Tögrög and the Canadian Dollar for the third quarter of 2012 versus the third quarter of 2011.

*Expenses*

Total expenses for the third quarter of 2012 increased to $1,384,289 from $1,062,557 during the third quarter of 2011. Total expenses for the nine months ending September 30, 2012 increased to $3,918,431, from $1,849,536 during the same nine month period of 2011. The increases in expenses for the quarter is mainly attributed to the operating expenses which have increased due to increases in operations and general expenses related to the growth of the business. Also, there was a considerable increase in share based payments from $710,591 for the period ending

September 30, 2011 to $1,170,597 for the period ending September 30, 2012 As the company was in the start-up phase in 2011, increases in expenses in 2012 were a result of the implementation of the businesses of the Company.

*Operating Profit (Loss)*

The property business of MGG generated an Operating or EBITDA gain of $276,308 during the third quarter of 2012 (Q3 2011 – loss of $129,995) and $509,713 for the nine months ending September 30, 2012 (nine months ending September 30, 2011 – loss of $233,348). In addition the property business reported investment income of $96,299 in the third quarter of 2012 (2011 – nil). This gain is the result of increased rental revenue offset by an increase in expenses associated with building a property management team, along with increased property taxes and insurance expense associated with a larger portfolio. In addition, the property division reported a gain from the reclassification of a property asset from property and equipment into investment properties as well as a gain on the disposal of investment property. In addition, this division had added expenses related to due diligence on property assets that were not acquired, certain pre-development expenses that were not capitalized related to future property developments and employee education and training activities that have no offsetting revenue impact. MGG's insurance business generated an Operating or EBITDA loss of $169,615 during the third quarter of 2012 (Q3 2011 – loss of $126,289), and a loss of $422,322 for the nine months ending September 30, 2012 (nine months ending September 30, 2011 – loss of $177,307). In addition the insurance company reported investment income of $146,934 for the third quarter 2012 (2011 –$95,078) and $433,742 for the nine months ending September 30, 2012 (nine months ending September 30, 2011 –$95,078). The majority of this is due to an increase in net premiums earned and continuing investment income offset by sizable marketing expenses associated with building the Mandal brand.

The Company's corporate overhead contributed to an Operating or EBITDA loss of $296,699, during the third quarter of 2012 (Q3 2011 –$122,529) and a loss of $948,554 for the nine months ending September 30, 2012 (nine months ending September 30, 2011 – loss of $277,627). The majority of this loss was incurred for legal and audit expenses and other corporate expenses associated with the general corporate activity of the Company.

In total the Company's divisions reported an Operating or EBITDA loss of $190,006 during the third quarter of 2012 (Q3 2011 – loss of $378,813). In addition the Company reported interest income of $244,621 (Q3 - $56,275) during the quarter, for an Operating gain (including interest income and expenses) of $54,615, during the third quarter of 2012 (nine months ending September 30, 2011 – loss of $322,538).

*Net Income*

For the quarter ended September 30, 2012, the Company incurred a net loss of $446,069 compared to a net loss of $820,148 for the quarter ended September 30, 2011. For the nine months ended September 30, 2012, the Company incurred a net loss of $1,585,342 compared to a net loss of $1,445,380 for the nine months ended September 30, 2011. The increased revenue in 2012 was outweighed by a significant increase in operating expenses and employee and consulting option amortization from 2011 to 2012 which is a result of growth in the Company's operations.

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

## Summary of Quarterly Results

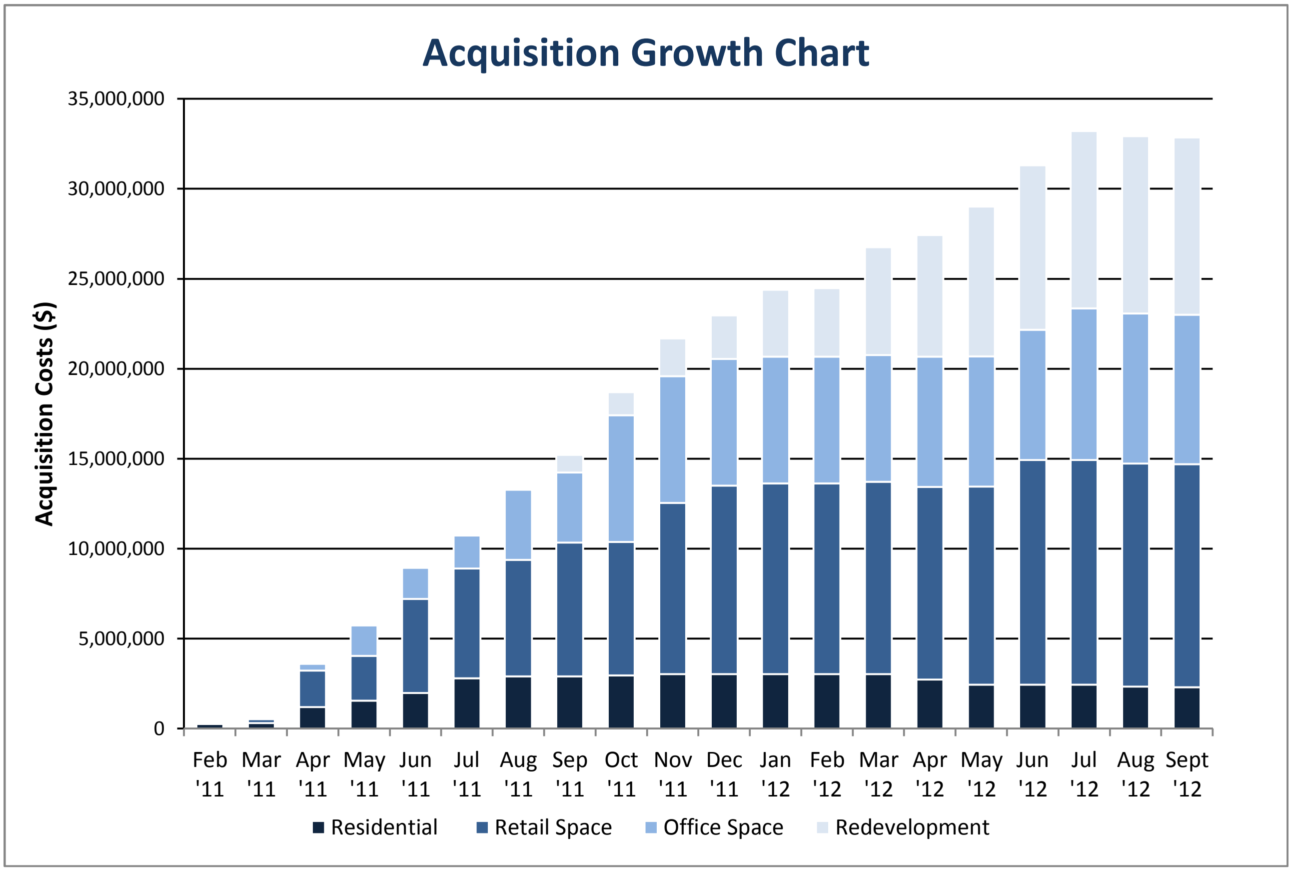
The following table provides selected financial information for the eight most recently completed quarters.

### Quarterly Consolidated Financial Information

| | Q3 2012 | Q2 2012 | Q1 2012 | Q4 2011 | Q3 2011 | Q2 2011 | Q1 2011 | Q4 2010 |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | | |
| **Revenue** | 577,905 | 571,472 | 469,882 | 360,914 | 186,134 | 42,263 | 0 | 456 |
| **Net income (loss)** | (446,069) | (494,782) | (644,491) | 2,794,533 | (820,149) | (485,585) | (139,646) | 28,881 |
| **Income (loss) per common share** | (0.01) | (0.02) | (0.02) | 0.11 | (0.03) | (0.02) | 0.00 | 0.00 |
| | | | | | | | | |
| **Total Assets** | 52,048,976 | 56,058,108 | 55,783,296 | 55,336,889 | 36,439,544 | 36,250,423 | 10,353,848 | 156,847 |
| **Weighted Average Shares** | 34,143,352 | 34,143,352 | 34,143,352 | 23,902,851 | 21,814,422 | 16,617,951 | 10,184,185 | 3,239,300 |
| **Ending Shares** | 34,143,352 | 34,143,352 | 34,143,352 | 34,143,352 | 30,297,168 | 30,297,198 | 14,167,571 | 2,964,300 |

MGG's revenue continued to grow, with third quarter consolidated revenue and net investment income increasing to $577,905 compared to second quarter 2012 consolidated revenue and net investment income of $571,472, an increase of 1%. The increase in revenues has been offset by a decline in value of the Mongolian Tögrög. There was approximately a 5% decline in the Mongolian Tögrög's average rate between Q2 and Q3 2012.

The following chart describes the Company's month end net property portfolio at cost, by property type, since inception. Note that this chart includes both properties classified as investment properties, held for sale, as well as those classified under property and equipment:




Acquisition Costs were translated from Mongolian Tögrög into Canadian dollars at the September 30, 2012 rate of 1424.9352 .

*Property*

During the third quarter, MGG's property subsidiary earned rental income of $407,769, compared to rental income of $383,104 in the second quarter, an increase of 6.4%. This increase is the result of the addition of properties to the investment portfolio, offset by an increase in commercial properties being renovated, certain property revenues related to Mandal being eliminated on consolidation, the sale of certain residential units.

In Q3, this subsidiary has also earned net investment income of $96,299 on its investment portfolio, compared to $61,377 during the second quarter.

The property division's overhead expenses rose significantly throughout the past year, but rose less rapidly during this past quarter. Management expects this to continue to be the case throughout the next year.

MGG's property portfolio has decreased to $34,378,308 in Q3 from $35,958,460 at the end of the third quarter, taking into consideration the effects of foreign currency translation. This is a $1,580,152 decrease or 4.4% decrease compared to the second quarter of 2012. This decrease was primarily due to the depreciation of the Mongolian currency as well as the sale of 7 investment properties, offset by the purchase of one large property. The Company anticipates that the investment portfolio will continue to increase in the future.

*Insurance*

The third quarter of 2012 represents the Company's fourth complete quarter of operations since policies were approved by FRC. During the third quarter, MGG's insurance subsidiary earned net premiums of $107,025, compared to net earned premiums of $118,682 in the second quarter, a decrease of 9.8%. This subsidiary has also earned net investment income of $146,934 on its investment portfolio, compared to $150,264 during the second quarter, a decrease of 2.2%.

The insurance subsidiary has spent aggressively to develop the Mandal brand name through advertising. The Company expects this marketing spending to increase nominally in the future, but decline relative to premiums written. The management team at Mandal continues to explore ways to leverage marketing spend through creative partnerships.

Similar to the foundation of the Company's property business, Mandal has hired staff and incurred expenses that lead to a high level of operational leverage. Many divisions of the insurance operation would not be required to expend further resources even given a substantial increase in premiums written. The largest expense within the insurance business in the future should be reserving, but at the present juncture, it happens to be the recognition of the cost of employee and consultant stock options. Employee stock option expense as a percentage of costs should decrease over time as revenues increase.

*Corporate*

Quarterly expenses related to corporate operations totalled $421,526, compared to $543,299 during the second quarter of 2012, a 22% decrease. The decrease in corporate expenses is mainly attributed to professional fees and travel which were significantly lower in the quarter.

The Company has continued to incur elevated expenses at the corporate level due to the high cost of being a public company. It is expected that expenses should normalize near current levels in future quarters. The Company has recently begun a program to more aggressively invest cash reserves until they are utilized and this increased interest income should somewhat offset corporate expenses.

**Liquidity**

As at September 30, 2012, MGG had working capital of $9,791,801 (2011 - $19,228,652) comprised of cash and cash equivalents, investments and marketable securities, other assets, reinsurance assets, deferred acquisition expenses, net of trade and accrued liabilities, income taxes payable and insurance contract liabilities. Management considers the funds on hand to be sufficient to meet its ongoing obligations.

**Related Party Transactions**

For the nine months ending September 30, 2012, Mandal General Insurance paid $100,680 to property subsidiaries of MGG, as payment for their office rental and a retail outlet. Also for the nine months ended September 30, 2012, the Company's various property subsidiaries paid a total of $16,766 to Mandal General Insurance for insurance coverages on MGG's portfolio of investment properties along with various auto insurances. 99% of the property related risks associated to these coverages were ceded to a well-rated re-insurer and a well-rated direct lines insurer.

These related party transactions are not expressed in segmented reporting of either the insurance business or the property business as both the revenue and expenses associated to them are eliminated upon consolidation.

**Critical Accounting Estimates**

The preparation of financial statements in accordance with IFRS required management to make assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and 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 critical estimates made in the preparation of the consolidated financial statements include the following:

- 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 investment properties annually. The fair value of investment properties is based on the nature, location and condition of the specific asset. The fair value of investment properties represents an estimate of the price that would be made in an arm's length transaction between knowledgeable, willing parties. The Company operates in the emerging real estate market of Mongolia, which given its current economic and industry conditions, has an increased inherent risk given the lack of reliable and comparable market information. At December 31, 2011, the unrealized fair value adjustment was $5,740,919. During the third quarter of 2012, there was one fair value adjustment done relating to a property that was previously used by the Company and was thus allocated to Property and Equipment. During the quarter this property was no longer used by the Company and thus was reallocated to Investment Properties at its fair value.

- Valuation of insurance contract liabilities - The estimate of the ultimate liability arising from claims made under insurance contracts is another critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. The ultimate cost of claims liabilities is estimated by using a range of standard actuarial claims projection techniques in accordance with Canadian accepted actuarial practice. At September 30, 2012, the insurance contract liabilities totalled $443,274.

- Accuracy of share based compensation expense - The estimate of the ultimate expense arising from share based compensation plans is another critical accounting estimate.

There are several sources of uncertainty that need to be considered in the estimate of the share based compensation expense recorded by the Company. The ultimate expense is estimated by using a number of key assumptions such as the expected volatility of the share price, the dividends expected on the shares, the risk-free interest rate for the expected life of the option and future forfeiture rates. For the quarter ending September 30, 2012, the cost of the share based payments totalled $390,199.

- 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 continuing high 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.

**Financial Instruments**

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

## Capital Risk Management

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

The Company's capital structure includes equity and working capital. In managing its capital structure, the Company considers future investment and acquisition opportunities, potential credit available and potential issuances of new equity. The Company's objective is to maintain a flexible capital structure that will allow it to execute its stated business. Upon acquiring investment properties and operating businesses, the Company will strive to balance its proportion of debt and equity within its capital structure in accordance with the needs of the continuing business. The Company may, from time to time, issue shares and adjust its spending to manage current and projected proportions as deemed appropriate.

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. At September 30, 2012, the Company's working capital was $9,791,801 (2011 - $19,228,652) and the Company had no debt.

## Off-Balance Sheet Items

As of September 30, 2012, the Company has no off-balance sheet items.

## Financial Risk Management

*Credit risk*

The Company's exposure to credit risk is managed through risk management policies and procedures with emphasis on the quality of the investment portfolio. For the year, most of the Company's investments consisted of institutional deposits. The majority of the funds invested are held in reputable Barbadian, Canadian or Mongolian banks. The Company is in the early stages of development and is continually improving its policies regarding monitoring its credit risk.

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 residential and commercial classes.

Amounts due from policy holders are short-term in nature and are not subject to material credit risk.

*Liquidity risk*

As at September 30, 2012, the Company does not believe its current maturity profile lends itself to any material liquidity risk, taking into account the level of cash and cash equivalents, investments and marketable securities as at September 30, 2012. The Company does not have material liabilities that can be called unexpectedly at the demand of a client.

*Currency risk*

The Company owns properties located in Mongolia and marketable securities in Mongolia and Barbados, and is therefore subject to foreign currency fluctuations that may impact its financial position and results. Changes in the Mongolian Tögrög and U.S. to Canadian dollar foreign currency exchange rate impact the fair value of securities denominated in Mongolian Tögrög and in U.S. dollars. The Mongolian operations hold their investments in Mongolian Tögrög denominated securities and the Canadian operations hold securities denominated in Canadian and U.S. dollars.

**Internal Controls over Financial Reporting**

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

Instead, an optional form of certification has been made available to junior reporting issuers and has been used by the Company's certifying officers for the September 30, 2012 interim filings. The new certification reflects what the Company considers to be a more appropriate level of CEO and CFO certification given the size and nature of the Company's operations. This certification requires the certifying officers to state that:

(i) they have reviewed the interim MD&A and consolidated financial statements;
(ii) they have determined that there is no untrue statement of a material fact, or any omission of material fact required to be stated which would make a statement or its omission misleading in light of the circumstances under which it was made within the interim MD&A and consolidated financial statements;
(iii) based on their knowledge, the interim filings, together with the other financial information included in the interim filings, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of the date and for the periods presented in the filings.

**Strategy**

MGG separates its operations into three reporting segments for ease of management oversight. These segments are property, insurance, and corporate.

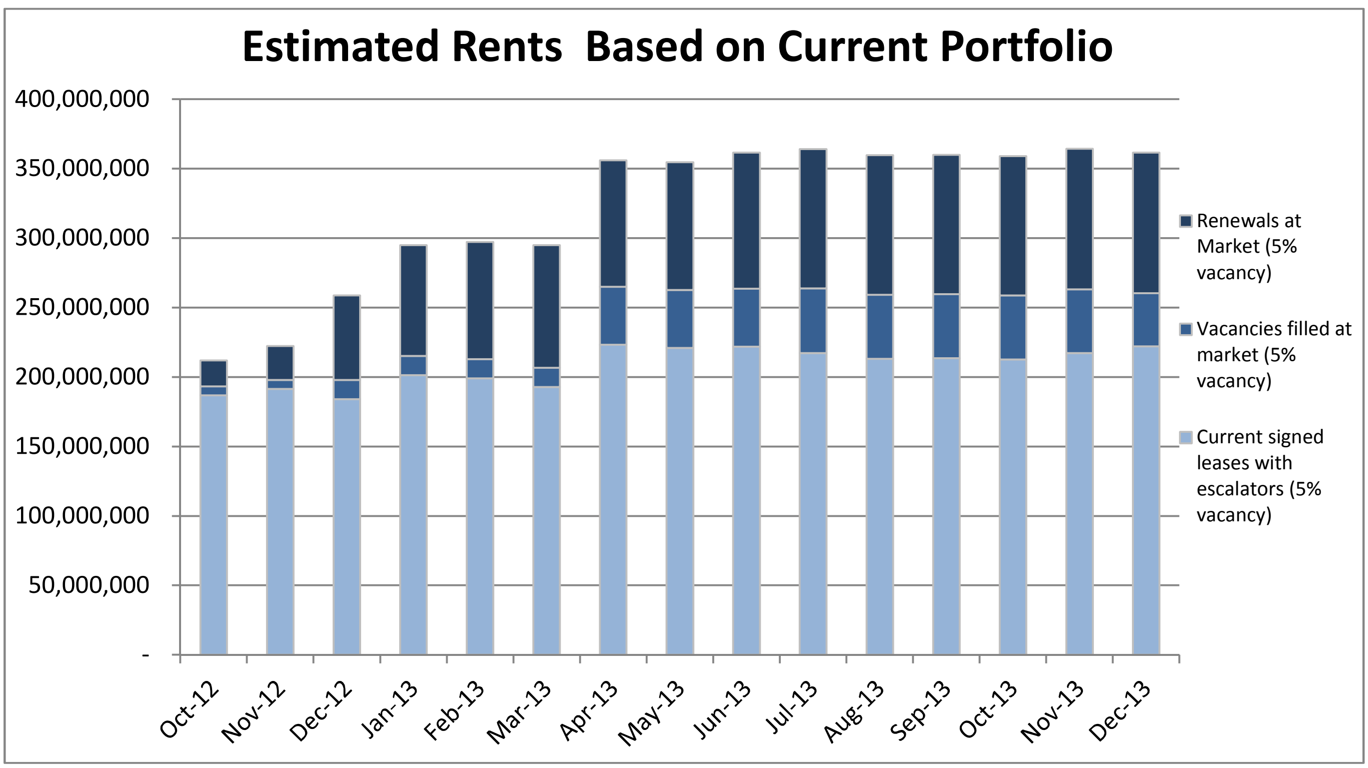
At all three reporting segments, the Company's focus has been on hiring key employees, implementing reporting systems, and setting the Company up for continued growth in the future. The most difficult challenge that the Company has encountered is finding skilled employees, given the growth experienced during the past year. The growth in employees has moderated now that the majority of key positions are filled. The Company plans to spend more time and energy on training employees, rather than hiring many new employees, as the Company grows in the near future.

*Property*

MGG's property division continues to exhibit rapid growth in assets. Management and employees have worked hard to aggressively build up the infrastructure needed to manage this division. There is no anticipation that management expenses will increase materially on a nominal level beyond inflationary increases in salaries. Expenses in the property division are likely to decline as a percentage of revenues in the future.

Due to the rapid growth of the Mongolian economy and a shortage of high quality rental locations, property rents are increasing rapidly, particularly in office and prime retail locations. When leases have been reviewed, many of them are at rates that are substantially below market rents. These leases should reset over the short-term and should substantially increase revenues if rental rates stay current. The Company has maintained most leases on short durations. The Company also includes rent escalation clauses in most of its leases with tenants that are over one year in duration.

The following chart shows expected rents from currently signed leases (bottom), expected rents from expiring leases if they are re-leased at September 30, 2012 market rates (middle) and current vacancies and properties undergoing renovations if they were leased out at September 30, 2012 market rates (top), with the assumption that all vacancies will be leased out immediately and all renovation properties will be leased out the month after the renovation is completed. All three categories of leases assume 5% average vacancy rates.



MGG's property investment subsidiary plans on further expanding via the investment of additional capital into income producing and redevelopment properties in Ulaanbaatar. The Company's plan is contingent on procuring further funds for investment and on finding suitable investment targets which meet or exceed MGG's stringent investment criteria.

Since inception, MGG has acquired a number of redevelopment properties. To date, the Company has only remodeled, rebuilt and completed additions on properties. It is Management's intent to begin small-scale denovo property development on both company owned brownfield and greenfield sites. MGG's intent is to remain a substantial owner of the properties, post-completion.

During the third quarter, MGG began the substantial renovation of its corporate headquarters and two other office buildings. This renovation resulted in certain tenants leaving the buildings or reconfiguring their office space usage. It is envisioned that when these renovations are completed near year-end 2012, the spaces will be substantially improved and lead to higher rental revenues for the property division upon lease out.

To date, only minimal work has been done in evaluating the potential economics of these properties, but based on rough estimates, the following numbers would appear to be representations of the potential economics of these projects based on September 30, 2012 market prices for construction costs, average market rents and sale prices observed in Ulaanbaatar. Management cautions investors that these numbers will change dramatically based on future changes in building costs in Ulaanbaatar and changes in market rents and sale prices. In addition, Management is looking for ways to expand these land packages which will potentially impact the economics of the projects.

| | **Approx. Meters of Land** | **Development Type** | **Approx. Finished Size** | **Approx. Build Cost** | **Current Monthly Rent** | **Expected Payback on Development** |
|---|---|---|---|---|---|---|
| Asset 1 | 2,200 | Class A Office | 30,000 Meters | $1,200-$1,500 Per Meter | $40-$60 Per Meter | 2.5 To 4 Years |
| Asset 2 | 2,600 | Class A Office | 40,000 Meters | $1,200-$1,500 Per Meter | $40-$60 Per Meter | 2.5 To 4 Years |
| Asset 3 | 1,300 | Residential | 300 Units | $900-$1,200 Per Meter | $2,500-$3,500 Per Meter Sale Price | Pre-Sales Should Fund It. |
| Asset 4 | 8,000 | Mixed Use | 30,000 Meters | $1,000-$1,300 Per Meter | $20-$40 Per Meter | 3 To 6 Years |
| Asset 5 | 900 | Mixed Use | 10,000 Meters | $1,000-$1,300 Per Meter | $40-$60 Per Meter | 2.5 To 4 Years |
| Asset 6 | 1,700 | 3 Floor Retail | 5,000 Meters | $700-$800 Per Meter | $15-$25 Per Meter | 2.5 To 4.5 Years |

MGG has labeled some properties as "held for sale." These properties are primarily small retail or residential properties. MGG has chosen to sell these properties as the revenues derived from them are insufficient to offset the costs and time needed to manage them. During the third quarter of2012, seven of these properties were sold and 6 properties remain as held for sale.

*Insurance*

The Company's insurance subsidiary received its insurance license on June 2, 2011 and began to aggressively target customers in October 2011. To date, it has focused its operations on both the retail and corporate market. The focus at Mandal is to underwrite conservatively so that all stakeholders are confident that insureds will be compensated on all legitimate claims. Through the use of reinsurance, Mandal attempts to ensure that it can cover losses due to high severity and rare catastrophic events.

The Company's expectation is that the insurance company will incur operating losses for at least the next year. Anticipated losses will likely be caused by the sizable costs of marketing and growing the business, against insufficient earned premium revenue. Some of these losses will be offset by the insurance company's investment portfolio. It is expected that the investment portfolio will grow as the company increases sales and associated reserves, which generate investible float. Due to Mongolia's high interest rate environment, float is incredibly valuable.

On September 15, 2011, Mandal partnered with Mongol Post, the postal service of Mongolia, to distribute insurance products within Ulaanbaatar. Mandal has begun training and licensing postal representatives with the intention to roll out insurance sales through this channel during 2012. Mandal hopes to use this relationship to eventually sell insurance products across all of Mongolia.

On November 6, 2011, the government of Mongolia passed a law making auto liability insurance mandatory. This law came into effect on January 1, 2012.

On April 5th 2012, Mandal sold a sizable bankers blanket bond to Khan Bank, the largest bank in Mongolia based on branch count. This transaction was 100% reinsured by syndicates of the Society of Lloyd's. Mandal's strategy is to greatly expand its commercial fronting business over the coming year.

On April 18, 2012, Mandal received a special permit to write auto liability coverages and is actively marketing these products to the consumer segment of the market. At the end of October,, Mandal had sold a total of 5276mandatory liability insurance policies. Management expects that after an initial drive to acquire customers, the growth of this business will subside in 2013, followed by annual increases in premiums due to substantial future increases in the total sum insured.

On May 16, 2012, MGG announced that it signed a binding term sheet agreeing to sell shares of Mandal General Insurance to UMC Capital, the operators of Mandal, at a purchase price equivalent to MGG's original funding cost in June of 2011. Following the closing of this transaction, MGG and UMC Capital will respectively own approximately 84% and 16% of Mandal's outstanding shares. In addition, UMC Capital will retain the right to purchase an additional 25% of Mandal at the higher of stated book value or funding cost. At the end of Q3 2012, this transaction has not been closed.

On August 20, Mandal signed an agreement with Khan Bank to distribute insurance products through its network of over 500 branches throughout Mongolia. Management expects that the roll-out of these products will begin in 2012 and grow substantially through 2013.

*Corporate*

The corporate operations of MGG are primarily associated with managing its operating divisions, capital allocation, capital raising, investor communication, public company disclosure and compliance, internal audit and generally ensuring the smooth operations of the business of MGG as a public company.

By their nature, corporate operations are a cost center. Following a sizable increase in expenses during the first full year of operations, management expects that these expenses will moderate near current levels. It should be noted that expenses have remained elevated for longer than expected due to certain legal expenses that remain ongoing, but are expected to terminate in the near future.

**Outlook**

The Mongolian economy continues to be one of the best performing economies globally based on data from The National Statistics Office of Mongolia ("NSO") – September 2012 edition, with preliminary estimates of annualized nominal first quarter 2012 GDP growth of 23.5%. The Mongolian Consumer Price Index increased 13.4% during the first nine months of the year, and 15.1% between September 2011 and September 2012, based on data from the NSO. This growth is being funded by Foreign Direct Investment inflows to a number of sizable mining projects along with re-investment of earnings from existing projects. Outside of the mining sector, the consumer economy is growing at an impressive rate.

MGG has been a beneficiary of these trends in both its property and insurance operations. In its property operation, the property portfolio has continued to increase in value. This increase in market value is caused by higher market rents.

As Mongolians see a higher standard of living, they will want to protect their valuables. Additionally, corporations are beginning to understand the necessity of using insurance to avoid business volatility. These two trends have been important in seeing the Company's insurance subsidiary grow since inception in June of 2011.

It is widely anticipated that the Mongolian economy will remain strong through 2012, which should bode well for the Company.

It is anticipated that the Company will continue to seek ways to raise additional equity capital to further the development of its businesses. MGG is also exploring utilizing conservative levels of debt funding for its property investments however, there can be no certainty that capital can be borrowed at rates that are attractive to the company.

## Economic Volatility and Uncertainty

The past economic volatility and uncertainty in Canada and around the world has contributed to dramatically restricted access to capital and reduced capital markets activity. The Company's management believes that the Company has sufficient resources to carry on its business and remain a going concern.

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

Substantial risk and uncertainty exists due to the level of economic growth in Mongolia. According to the Bank of Mongolia, money supply (M2) increased 17.6% in the last 12 months ending September 30, 2012. Loans outstanding in the banking industry also increased substantially during the last 12 months, rising 35.7%, though this has slowed in recent months. Such changes in money supply and lending may be warranted due to the growth of the local economy. However, historical economic disequilibrium of such magnitude in other nations has frequently led to hyperinflation, unstable economic conditions, hardship and strife.

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

## Risks and Uncertainties

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

Certain members of parliament have recently asked to re-negotiate the agreement that exists between the government and Turquoise Hill regarding the current tax and stability agreement. There can be no certainty if any changes to the agreement will be reached and how it will impact the investment climate or future GDP growth of Mongolia.

During the last nine months the Company has purchased apartment units in a knowingly condemned building with the intent that through control of the homeowner's association the Company can procure a lease on the land underlying the building. The process of exerting control over a homeowner's association in order to develop the underlying land-plot is an extensive legal process, is complicated, lacks precedent, and is a generally risky proposition. The total investment at cost in this apartment building at September 30th was $4,391,473. At November 26, 2012, the Company owned 48 of the 51 apartments in the building, but has yet to formally take control of the homeowner's association. After the end of the third quarter, the Company signed an agreement with one of the remaining apartment owners which would allow him to be a property owner in any newly completed building in exchange for committing to allow the Company to control his title for the purposes of redevelopment.

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

## Outstanding Share Data

As at September 30, 2012, the Company had 34,143,352 common shares issued and outstanding. As at September 30, 2012, 11,372,500 of the Company's common shares, or approximately 33.4% of the issued and outstanding shares, were directly or indirectly controlled by the Company's directors and officers. As of September 30, 2012, the Company had 600,000 stock options outstanding with an exercise price of $1.64 per share (500,000 have an expiry date of March 9, 2021 and 100,000 have an expiry date of March 9, 2014). The Company also had 722,000 stock options outstanding with an exercise price of $4.20 per share, (at issuance, 825,000 had an expiry date of April 25th 2016 and 75,000 had an expiration date of April 25$^{th}$ 2014, of theses a total of 128,000 were forfeited during 2011 and 50,000 were forfeited during the quarter). In addition, the Company had 170,000 options outstanding with an expiry date of September 7, 2016 and an exercise price of $4.77 (175,000 options were issued initially, 5,000 were forfeited during the quarter). Furthermore, the Company had 150,000 options with an expiry date of December 2, 2016 and an exercise price of $4.25. Lastly, the Company had 190,000 5-year stock options to purchase shares of MGG at a price of $4.00 per share with an expiry of March 23, 2017.

At period-end, the Company had nil options that were exercisable (Q2 2011- 0)

| **Outstanding** | **as at September 30, 2012** |
|---|---|
| Common shares | 34,143,352 |
| Options to buy common shares | 1,832,000 |

## Events Subsequent to Quarter End

Subsequent to quarter end, the Company sold 3 investment properties with a fair value of approximately $142,000 for cash proceeds of approximately $155,000.

On November 5, 2012, Mandal was recognized by the Business Council of Mongolia as the "Local Company of the Year. This demonstrated a great leap of attitude among the business community toward insurance and risk management professionals.

## Additional Information

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