

October 2013 Monthly Newsletter

Dear Shareholders of Mongolia Growth Group Ltd.,

Please note that as part of our effort to provide maximum transparency to investors, we will begin providing monthly data on same store rental growth along with property occupancy data.

In October 2013, MGG's core commercial property portfolio* experienced a same-store rental increase of 21.4% relative to October 2012 on properties owned 12 months or longer as measured in local currency (Mongolian Togrog). The occupancy rate for the core portfolio in October 2013 was 93.9%, including an occupancy rate of 98.7% for core retail properties and an occupancy rate of 84.9% for core office properties.

Portfolio, Operations, and Development Update

Portfolio

During the month of October we continued on-track with our plan to shift MGG's asset mix away from smaller properties that are proportionately more expensive to maintain and manage, and towards larger institutional-quality assets that are easier to scale as we build MGG into a premium asset quality real estate company. This repositioning is making progress and we have now sold 5 of the 23 assets we set out to dispose of starting in May of 2013 and reinvested the proceeds in-line with our strategic plan. We expect to substantially conclude the repositioning by the middle of 2014.

Operations

We have seen an increase in demand for high quality properties following the passage of the new foreign investor law. We have recently signed a number of new leases and expect to renew many of our existing leases at higher than prevailing rates over the next few months. For a point of reference, our most recently signed retail leases were at 52,690 MNT a meter per month and 42,685 MNT a meter per month, while September's average high-street retail rent per meter was 20,201 MNT per month. While these are premium locations, we expect to see our average rent per meter continue to increase upon renewals due to the strong market environment.

Development

During the month of October, we completed all structural work on a retail re-development project that we started during the second quarter. During November, we will complete the interior fit-out and begin to actively market the property. When completed, we will have a newly built 368 meter prime high-street retail space.

Mongolian Economic Update

In an effort to better inform shareholders about the growth of the Mongolian economy, we will begin noting some of the most important economic events that have occurred over the prior month.

In the most recent quarter for which data is available (Q3 2013) Mongolian real GDP growth was 11.9%.

Since we wrote you last:

- On October 28, the Ministry of Mining for Mongolia signed an MOU with China's Shenhua Group Corp. to supply 1 billion tons of coal over the next 20 years. For a point of reference, during 2012, Mongolia exported 20.9 million tons of coal. At current prices, the contract is worth over \$50 billion, or about five times Mongolia's 2012 GDP.



- Sinopec has signed an MOU with the Ministry of Mining to build a brown coal gasification plant in Mongolia. The plant will have the capacity to produce 15 billion metric tons of gas fuel per year and will use approximately 50 million tons of coal a year worth over US \$1 billion dollars. The plan will be for domestic needs and the export market.
- Mongolia climbed 4 spots on the World Bank's ease of doing business survey and now is ranked in 76th place as opposed to 80th last year.
- The United States Agency for International Development (USAID) has established a technical assistance fund of \$400 million for development of Mongolian small and medium enterprises.
- 1,086 billion Togrog (approximately US \$625 million) worth of mortgages have now been issued under the 8 percent mortgage program. This program has lowered the cost of mortgages for over 27,000 families in Mongolia with a corresponding increase registered to Mongolian disposable income.

We look forward to updating you again on our progress and new developments in the Mongolian economy next month.

Sincerely,

Harris Kupperman
Chairman & CEO
Mongolia Growth Group Ltd.

For further details on the foregoing document, please refer to the Corporation's filing on SEDAR.

For more information on Mongolia Growth Group Ltd., please see our website:

www.MongoliaGrowthGroup.com

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*The core commercial property portfolio is defined as those commercial assets that are held for long term investment and excludes certain development assets which produce minimal rental revenues, certain assets that are actively being marketed and all residential properties.

For the purposes of this calculation, Mandal Daatgal, a subsidiary of MGG, is accounted for as a 3rd party tenant. Two properties included in the calculation are accounted for as PP&E assets in the Company's financial statements as filed with SEDAR.

Forward-looking Information Cautionary Statement

Information and statements contained in this Letter to Shareholders that are not historical facts are “forward-looking information” within the meaning of applicable Canadian securities legislation and involve risks and uncertainties. Examples of forward-looking information and statements contained in this Letter to Shareholders include information with respect to: our belief that our listing on the TSXV will increase the liquidity of our shares and our ability to continue to attract new investors; our prospects for being able to agree upon acceptable terms for the purchase of properties that we are researching; our anticipation that our current small recurring losses will become small gains; our expectation that our three office assets under renovation, when fully leased, will substantially increase revenue rentals with minimal additional costs; and our plans for 2013.

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 and the insurance business in Mongolia; competition, financing and refinancing risks; risks related to economic conditions; risks related to regulation of the real estate and insurance business in Mongolia; political risk in Mongolia; changes in Mongolian taxation rules; claims against our insurance policies differing from our assumptions; reliance on key personnel; environmental matters; tenant and policyholder risks; risk of insurance fraud; and other risk factors more particularly described in 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 Letter to Shareholders.

