June 25, 2013

May 2013 Monthly Newsletter

Dear Shareholders of Mongolia Growth Group Ltd.,

During May of 2013, MGG purchased one retail asset and did not sell any property assets. We are still actively involved in researching a number of sizable property assets that we are looking to purchase, but there can be no certainty that we will be able to agree on acceptable terms for a transaction.

During the month of May, management undertook a thorough review of all of our assets with the view of reducing our costs and eliminating certain assets that are either too small, outside of our core competencies in downtown Ulaanbaatar commercial property or too difficult to manage. In total, we have selected 23 property assets comprising approximately 27% of our total assets by number, 16% of our portfolio at cost and contributing 13% of our monthly rental revenue to dispose of. Despite producing a moderate portion of our total revenue, the expenses involved in managing these assets means that the actual net operating income produced by them is quite negligible as a percentage of our total property net operating income. We anticipate re-deploying this capital into one or two larger assets in the future that will have much more attractive return characteristics. In particular, disposing of these assets will almost entirely remove us from the ownership of residential properties with the exception of those assets that are owned for employee housing. It is expected that the majority of these sales will be completed by year end and that the company will show a gain on sale for the majority of the assets.

In addition, as a consequence of this review, MGG is assessing the amount of management time and cost required to administer Mandal, our insurance subsidiary together with the likelihood of profitability from Mandal in the near term, given the substantial costs of it being part of a public company with public company reporting obligations. Thus far, all indications are that MGG would substantially reduce recurring expenses and free up considerable senior management time if Mandal is separated from MGG. To date, our findings are preliminary and nothing definitive has been determined in regard to disposing of Mandal. We are exploring various different avenues to best maximize shareholder value.

As our company has matured and become more experienced in the Ulaanbaatar property market, we have realized that we want to focus on larger income producing assets that are easier to manage. Outside of these, we are still focused on acquiring high street retail properties and redevelopment sites that we can build international quality buildings on. In the end, we want to grow into a company that owns institutional quality assets in Ulaanbaatar. The assets that we are disposing of do not make this cut.

On the 29th of May, we filed our first quarter, 2013 unaudited financial results. Our company reported a net loss for the period of $64,334. I should note that this loss included a $1,136,125 unrealized gain on fair value adjustment on investment properties. I would like to note that this gain is a non-cash accounting entry. These losses were the result of lower revenues caused by the depreciation of the Mongolian Togrog/Canadian Dollar exchange rate (leading to lower revenues), the final installment of our TSX-V listing expenses and very sizable one-time expenses related to a proposed acquisition that was not consummated. Excluding these two one-time expense items, we came very close to showing a break even EBITDA result after excluding share based payments and the unrealized gain on fair value adjustment on investment properties. We anticipate that our current small recurring losses will become moderate profits upon the conclusion of many of the non-recurring expenses and higher expected rents as recently remodeled properties are leased out. To that end, in early June, we leased out an additional 203 combined meters in Denver Center and Anand—which leaves us with only 309 remaining meters to lease out in these two buildings.

In the chart below, you can see the key segments and how they performed during the first quarter. For the sake of clarity, investment income relates to interest earned by the various divisions.

	Property	Insurance	Corporate	Total
EBITDA	($8,820)	($334,705)	($912,336)	($1,255,861)
Share Based Payments	($136,832)	($174,547)	($315,495)	($626,874)
Investment Income	$97,797	$155,195	$155	$253,147
EBITDA Excluding Share Based Payments And Adding Investment Income	$225,809	$(4,963)	($596,686)	($375,840)
Gain On Sale Of Properties Included In EBITDA	$2,515			

Certain highlights from the quarter include;

Property Results

- Rental revenues were $414,385 (excluding intercompany revenues of $24,333 from Mandal)
- Quarter end vacancies increased moderately to 6.3% vs. 3.3% % of rentable properties in the previous quarter. This is the result of shifting 2 office properties from the renovation category to rentable properties category following the completion of renovations.
- Completed a sizable renovations program on three office buildings. When fully leased, these assets are expected to substantially increase rental revenues with minimal additional expected costs
- Disposed of an investment property for proceeds of $40,443 with a $37,928 fair value for a $2,515 gain on disposal

Insurance Results

- Net premiums earned of $342,117
- Net claims incurred of $223,490

Corporate Information

- Has grown to 102 total employees (93 Mongolian and 9 foreign)

For more information on our first quarter results, please see our condensed interim consolidated financial statements and Management Discussion & Analysis as filed on SEDAR.COM

In summary, we remain happy with the progress that our Company continues to make. If not for the very sizable costs incurred for an acquisition which was not consummated and the TSX-V listing expense recognized in the period, we would have reported a loss of around $225,000 if you exclude share based payment expenses and the unrealized gain on fair value adjustment on investment properties. While it is somewhat disappointing that we remain slightly short of profitability, these results are in line with our expectations as we continue to spend on longer term growth initiatives at the expense of short term economic gains.

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:
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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.