

June 2011 Monthly Newsletter

Dear Shareholders of Mongolia Growth Group Ltd.,

During June, we achieved two significant milestones for our company. To start with, we completed a financing where we raised \$17,099,572. This capital will allow us to more than double our real estate portfolio and we are anxious to put it to work in properties with attractive yields.

The other major milestone was the receipt of an insurance license. I want to thank everyone at UMC Group who worked tirelessly to provide documents to, and answer questions from, the Financial Regulatory Commission (FRC). We were awarded our license nearly two months earlier than expected and can now push ahead with our business. Sometime later this week, our SUV will have the honor of becoming the first asset to be insured by Mandal General Insurance.

While having the best capitalized insurance company in Mongolia will give us a very strong competitive advantage going forward, I want to make sure that I clarify our expectations for the company over the next few years. To start with, let's talk a bit about insurance accounting. On day one, we are starting with roughly USD \$5 million in capital and 17 highly trained employees, but we cannot earn profits from these assets. Quite the contrary, we need to spend money first. Marketing and salaries are expensive, meanwhile we will have minimal revenue. When we sign a policy, we will need to accrue sales commissions and operating expenses to generate the business. Some of these costs are amortized over the life of the policy, but many of them must be booked immediately. In addition, significant portions of our revenue must go to build up an insurance reserve against future claims associated with the policies we write. Basically, from an accounting perspective, a new insurance company will report losses early on and it is our expectation that Mandal will report accounting losses in its first year in business.

I have never focused on current earnings in any business that I analyze. I care about "economic earnings," or what sort of long term value is created by a business. Even though we will report losses, I would like to believe that we will be creating value for our shareholders from day one. While there's an upfront cost of acquiring a policy, if we can underwrite at a profit, that policy eventually becomes an annuity for us as it is recognized. Over time, we hope to acquire a sizable stream of these annuities. There is a cost to doing this, but the value of these annuities should be higher than the cost of acquiring them over time. It is this stream of annuities that I am focused on. In a business like this, you only show accounting profits when the growth rate slows and the sales commissions normalize with the revenues generated by current policies in force. I prefer to grow fast and let earnings show up later on in our future.

I would like to also mention that one of the great aspects of insurance is our ability to generate "float," or the premiums that have been paid into our company before risks are incurred plus the capital we hold in order to pay future insurance claims. Until claims are paid, this float is ours to use for investment purposes with certain limitations as set by FRC. Jordan and I both have very long track records of successfully investing capital and we relish the opportunity to invest this float. In a market where structured debt products routinely yield better than 20% and where rental properties earn double digit yields, I am hopeful that we can produce very attractive returns on this float.

As shareholders, I would focus your attention to three key metrics when judging our progress in insurance; the first two are our ability to profitably underwrite insurance policies and our ability to rapidly grow our premium in force. The final metric will be our ability to invest our float and earn returns on the capital entrusted to us by our insureds.

In our property portfolio, we continue to acquire assets. To date, we have spent nearly \$10 million purchasing rentable property. We now own in excess of 4,400 meters of rentable office and commercial space. We also own over two dozen rentable apartments. Fortunately, many of these office and commercial properties have come with tenants who are able to pay us rental income almost immediately. Our residential properties generally do not come with tenants and we are experimenting with interior renovations so that we can maximize our rental income. Unfortunately, that means that many of our apartments are currently vacant. However, with properties appreciating at a few percent a month, I'd rather buy now and figure it out later when it comes to optimizing our apartment yields. We know we can get good yields when renting, as we have rented a few, now we want to learn if we can get close to double the yield by spending less than 30% of the purchase price on upgrading the interiors. I think we will have an answer to that question in the next few weeks.



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

Except for statements of historic fact, this news release contains certain forward-looking information within the meaning of applicable securities law. Forward-looking information is frequently characterized by words such as “plan”, “expect”, “project”, “intend”, “believe”, “anticipate”, “estimate” and other similar words, or statements that certain events or conditions “may” or “will” occur. Forward-looking statements are based on the opinions and estimates of management relying on their experience at the date the statements are made, and are subject to a variety of risks, uncertainties and other factors that could cause actual events or results to differ materially from those anticipated in the forward-looking statements including, but not limited to delays or uncertainties with regulatory approvals, including that of the CNSX, changes in the business environment that might impact the intended use of proceeds and changes in the intention of the parties to subscribe to the private placement. There are uncertainties inherent in forward-looking information, including factors beyond MGG’s control. MGG undertakes no obligation to update forward-looking information if circumstances or management’s estimates or opinions should change except as required by law. The reader is cautioned not to place undue reliance on forward-looking statements. Additional information identifying risks and uncertainties that could affect financial results is contained in MGG’s filings with Canadian securities regulators, which filings are available at www.sedar.com. The CNSX has not reviewed and does not accept responsibility for the adequacy or accuracy of this release.

