



August 23, 2013

## July 2013 Monthly Newsletter

Dear Shareholders of Mongolia Growth Group Ltd.,

During the month of July, MGG disposed of 2 assets representing approximately 11.4% of the total value of assets that we have been looking to dispose of. We anticipate that we will complete a number of additional sales in the next few months. We did not purchase any assets during the month of July.

Some of you may be unaware, but the vast majority of the buildings in Ulaanbaatar are heated from a central grid system using steam. Recently, the city of Ulaanbaatar announced that there will be a moratorium on new heating permits for commercial buildings while some recently issued heating permits will be cancelled. This is due to an over-taxing of the existing heating system due to the rapid expansion of the city. While this will not impact us, as all of our buildings already have their heating permits, it will clearly impact people who are looking to build new buildings over the next few years.

The Amgalan “Thermal Only” Power Plant, and Fifth Thermal and Electricity Power Plant are planned for completion in winter 2015 and winter 2016 respectively. These additional facilities will fix the heating shortage issues facing the capital city. However, until these facilities are completed, we do not anticipate many new commercial buildings getting heating permits. From a supply standpoint, this will likely serve to further amplify the already severe shortage of usable commercial space in Ulaanbaatar.

At MGG, we have been planning certain renovation projects to reduce our own heat usage. We want to be seen as promoting lower energy consumption as it helps the environment and also as it helps the city to deal with the severe lack of spare heating capacity. Starting in August, we will be modifying certain heating equipment in seven of our buildings which will entail replacing obsolete equipment with modern Danish apparatuses. These fully computerized modern systems will maximize the heating system efficiency and eliminate unnecessary heat loss which, in turn, will result in significantly lower on-going building management costs. Finally, we will have automated systems that will serve to reduce our heat usages at night and at other times when full heat isn’t required. In total, we anticipate that these renovations will reduce our own heat usage by approximately 30% and likely have a payback on the capital investment of under 3-years, due to lower heat usage in our buildings.

As can be seen by the last few monthly letters, our goals at MGG are beginning to shift. During our company’s first two years, we were focused on learning about the Mongolian market, acquiring assets and building the needed infrastructure to manage our company. Increasingly, our focus is shifting towards finding ways to improve the returns on our existing assets, dispose of underperforming and non-core assets, better manage our costs and generate cash flow that can be re-invested in our core property business. Simply stated, cash flow is now becoming our focus.

On a final note, the Mongolian economy continues to outperform almost all other countries and GDP growth came in at 11.3% during the first half of 2013, according to the National Statistical Office of Mongolia.

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](http://www.MongoliaGrowthGroup.com)

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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](http://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.

