

## Mongolia Growth Group Ltd. June 2014 Monthly Letter to Shareholders

TORONTO, CANADA, August 7, 2014 /FSC/ Mongolia Growth Group Ltd. (YAK – TSXV and MNGGF – USA), a real estate investment and development company pursuing the dynamic growth of the Mongolian economy via ownership of institutional-quality commercial property assets in the capital city of Ulaanbaatar, Mongolia is pleased to announce the release of its June 2014 Shareholder Letter.

### June 2014 Shareholder Letter

#### To the Shareholders of Mongolia Growth Group Ltd.,

In June 2014, MGG's core commercial property portfolio\* experienced a same-store rental increase of 32.3% relative to June 2013 on properties owned 12 months or longer, as measured in local currency (Mongolian Togrog). Total billed revenue for June 2014 was 242.2 million Mongolian Togrog, as compared to 214.8 million Mongolian Togrog in June of 2013 or a 12.7% increase.\*\* The occupancy rate for the core portfolio in June of 2014 was 94.7% including an occupancy rate of 94.0% for core retail properties and an occupancy rate of 95.2% for core office properties.

#### Investment Portfolio and Leasing Update

##### *Investment Portfolio*

During the month of June, we continued to implement our strategy of shifting MGG's asset mix away from smaller properties that cost more to maintain and manage, towards larger institutional-quality assets that are easier to scale, as we continue to build MGG into Mongolia's leading commercial real estate concern. During June, we disposed of 6 properties for a total of approximately CAD \$1,060,000. Over the first six months of 2014, we have disposed of a total of 12 properties for approximately CAD \$1,450,000 in cash along with 3 properties in consideration for the transactions in February and May. The proceeds of these sales will be used for the renovation of the retail center mentioned in the Press Release on May 29, 2014.

### *Leasing Update*

During the past few months, MGG has continued to maintain a stable level of occupancy along with increased revenues on new leases. Here are some highlights of our recently signed leases.

-During 2013, we began renovations on one of our store-fronts with a view to modernize it and increase its size, to increase future earnings potential. We have completed all work on that property and in June leased it to a well-respected tenant at market rates.

-We renewed a lease on Peace Avenue for the highest retail rent per meter (Mongolian Togrog terms) in the history of our company.

-The medical tenant mentioned in the press release on July 3<sup>rd</sup>, has now fully moved into the newly renovated facility and begun paying rent at market rates, leading to zero vacancy in the newly renovated facility.

### *Medical Facility Video*

In keeping with our precedent from prior major renovations, we have created a video to document the progress of our renovation of the medical facility mentioned above. You can watch it at the following link <https://www.youtube.com/watch?v=MAWiuDAvu6I&feature=youtu.be>

### **Mongolian Economic Update**

During the first quarter of 2014, Mongolia's GDP grew 7.4% in real terms

Since our previous update to you:

- Mongolia passed changes to the 2006 Minerals Law designed to boost exploration for minerals (Bloomberg)
- Mongolia is seeking to sign a gas project and export accord with China. The agreement will cover two coal-to-gas plants with 95% of exports going to China through pipelines. About 80 million metric tons of lignite coal will be extracted annually to produce the gas at the plants and the plants could produce 15 billion cubic meters of gas a year. (Bloomberg)
- Gold sold to the Central Bank of Mongolia increased 65.4% in the first half of the year to 4 tones. As the royalties on gold have fallen from 10 to 2.5 percent, the volume of gold sold to the Central Bank of Mongolia increased considerably. (UB Post)
- Copper Concentrate Export Increase 2.4 Times in First Half to \$985.8 Million (UB Post)
- Japan and Mongolia sign free trade agreement. Mongolia will abolish tariffs on Japanese autos while Japan will reduce its tariff on Mongolian beef. (The Japan Times)

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

Sincerely,

**Harris Kupperman**

*Executive Chairman*

*Mongolia Growth Group Ltd.*

\*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. Two properties included in the calculation are accounted for as PP&E assets in the Company's financial statements as filed with SEDAR.

\*\*Billed revenue represents the revenue billed to tenants, net of VAT. It does not take into account bad debt expense, late payment penalties, interest income or management fee revenue. Revenue numbers assume that Mandal Daatgal 's rental revenue was attributed to MGG during 2013, as opposed to having it removed on consolidation, for ease of comparisons.

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)

Or contact:

**Genevieve Walkden** [GWalkden@mongoliagrowthgroup.com](mailto:GWalkden@mongoliagrowthgroup.com)

Mongolia Growth Group Ltd. is a publicly traded and leading property investment and development company in Ulaanbaatar, Mongolia. MGG owns an extensive property portfolio, in diversified segments of the property market, with an emphasis on institutional-grade commercial assets.

MGG undertakes its own property acquisitions, develops brownfield land assets and repositions outdated properties, relying on in-house services for all facets of both the investment portfolio and development side of the business. In addition, MGG acts as a full-service third party provider for institutional clients and tailors transactions covering acquisition-to-suit, build-to-suit, as well as refurbish-to-suit, for property owners and major tenants.

## **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.

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 redevelopment of real property in Mongolia; competition, financing and refinancing risks; risks to the consumer mortgage market; a lack of correlation between disposable income and consumption; risks related to economic conditions; risks related to mining and mining development in Mongolia; risks related to regulation of the real estate in Mongolia; political risk in Mongolia; changes in Mongolian taxation rules; reliance on key personnel; environmental matters; tenant risks; 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.