

**MONGOLIA**  
GROWTH GROUP

## 2014: Achieving Operating Leverage



# Forward Looking Statement

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## Caution Regarding Forward-Looking Information

This presentation contains statements that, to the extent that they are not historical fact, may constitute "forward-looking information" within the meaning of applicable securities legislation. Forward-looking statements or information may include financial and other projections and are statements which reflect the current reasonable expectations and assumptions of Management regarding the future growth, results of operations, performance and business prospects and opportunities of the Corporation.

Wherever possible, words such as "may", "would", "could", "should", "will", "anticipate", "believe", "plan", "expect", "intend", "estimate", "aim", "endeavour" and similar expressions have been used to identify these forward-looking statements. These statements reflect Management's current beliefs based on its experience and expertise with respect to future events and are based on information currently available to Management. Management uses forward-looking statements because it believes they provide useful information with respect to the Corporation, and cautions readers that the information may not be appropriate for other purposes and should not be read as guarantees of future performance or results. In particular, this presentation contains forward-looking statements pertaining to the following: the future growth of Mongolia, resources located in Mongolia, the development of such resources, growth due to the possible extraction of said resources, the future growth of the GDP of Mongolia, rental rate increases, capitalization rate decreases, property valuation growth, historical growth of other cities being contiguous with the growth of Ulaanbaatar, Management's expectations of existing leases and revenue, future developmental plans, future rental rates, and the expansion of available property on a per person basis.

There are uncertainties inherent in forward-looking information, including factors beyond the Corporation's control. The Corporation 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.

Although the Corporation believes that the expectations reflected by the forward-looking statements presented in this presentation, these forward-looking statements have been based on assumptions and factors concerning future events that may prove to be inaccurate. Those assumptions and factors are based on information currently available to the Corporation about itself and the businesses in which it operates. Information used in developing forward-looking statements has been acquired from various sources including third party consultants, suppliers, regulators and other sources. In some instances, material assumptions are disclosed elsewhere in this presentation in respect of forward looking statements. The material factors and assumptions used to develop the forward-looking statements include but are not limited to: information provided by third party data sources and a reliance on assumptions behind that information, reserve data from mining firms, plans to extract resources as publicized by mining firms, GDP growth, governmental tax revenue and a growing consumer economy, rental rate and capitalization rate changes in Mongolia and other commercial property markets and assumptions on their patterns of development, existing leases and existing development and a continued focus of commercial activity on Peace Avenue, and its vicinity.

Forward-looking statements involve significant risks, uncertainties and assumptions. Many factors could cause actual results, performance or achievements of the Corporation to be materially different from any future results, performance or uncertainty regarding achievements that may be expressed or implied by such forward-looking statements.

Those risks and uncertainties include, but are not limited to, those related to: liquidity in the global marketplace associated with current economic conditions, occupancy levels, access to debt and equity capital, interest rates, the relative illiquidity of real property, new entrants, unexpected costs or liabilities related to acquisitions or dispositions, construction, environmental matters, legal matters, the single importance on the Oyu Tolgoi project and the risk it doesn't development as expected; reliance on third party information to assess opportunities, reliance on key personnel, taxes, the trading price of the securities of the Corporation, lack of availability of acquisition or disposition opportunities for the Corporation and exposure to economic, real estate and capital market conditions in Mongolia. Mongolia by its nature is an emerging economy and subject to certain risks inherent in an emerging economy including less mature laws, higher risks of inflation, changing business conditions or erratic interpretations of law and regulatory and sovereignty risk. The included material is provided for informational purposes only as of the date hereof, is not complete, and may not contain certain material information about the Corporation, including important disclosures and risk factors associated with an investment in the Corporation. More complete disclosures and risk factors can be found in the Corporation's continuous disclosure filings available on SEDAR.

In addition, new factors and risks emerge from time to time and it is not possible for the Management to predict all of such factors and to assess in advance the impact of each such factor on the Corporation or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results, performance or achievements may vary materially from those expressed or implied by the forward-looking statements contained in this presentation. These factors should be considered carefully and readers should not place undue reliance on forward-looking statements.

Although forward-looking statements contained in this presentation are based upon what Management currently believes to be reasonable assumptions, the Corporation cannot assure prospective investors that actual results, performance or achievements will be consistent with these forward-looking statements. Forward-looking statements herein are made as of the date of this presentation and the Corporation does not assume any obligation to update or revise these forward-looking statements except as required by applicable securities laws.

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# Strategic Vision

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- Gain exposure to the rapid growth of the Mongolia consumer through the property sector
  - Mongolia is expected to be one of the fastest growing economies in the world for the next decade
- Leverage our unique position and first mover advantage as the only institutional investment platform in Mongolia
  - Full suite of in house capabilities including acquisition, redevelopment, leasing and management
- Unlock the substantial value in our development assets
  - Turn our redevelopment assets from an expense item into our future cash flow
- Always be thinking about how to create value!

# Changing Goals For An Evolving Company

2011-2013 Goals	2014 Onwards
Build a property management platform.	Platform is built. Focus is on improving productivity.
Build a portfolio of assets that are leveraged to the Mongolian economy.	Focus on larger institutional assets. Have undertaken a portfolio review that will have us dispose of non-core and under-performing assets.
Acquire attractive development assets.	Develop these assets and unlock substantial value in our portfolio.

**Going forwards, our focus is on cash flow and leveraging our fixed cost structure**

# The MGG Property Platform

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- Currently the only institutional property management platform in Mongolia with a full suite of services
- Acquisitions & Disposals
  - Have completed 158 purchase transactions and 26 sale transactions
- Property Management
  - Have signed over 100 leases with tenants and currently manage over 90 leases\* (excluding 3<sup>rd</sup> party mandates)
- Value Creation Through Renovations
  - Have spent approximately \$1,000,000 on major renovations on 3 separate assets. Two additional retail assets currently undergoing renovations
- Development
  - Have built the team and are preparing for our first greenfield project

# Current Property Portfolio

As at September 30, 2013

Asset Type	Number of Properties	Meters <sup>2</sup>	Percentage Of Portfolio Based On Cost	Sept 2013 Billed Monthly Rent ('000 Mongolian Togrog)	Percentage Of Total Revenue
Residential	4	-	0.8%	3,485	1.6%
Office <sup>^</sup>	4	3,326	18.7%	64,408	29.9%
Retail – High Street*	24	3,979	22.7%	84,480	39.2%
Retail – Secondary Streets	16	1,707	9.4%	29,728	13.8%
Renovations	3	-	7.1%	-	-
Development	4	-	30.0%	8,481	3.9%
PP&E	2	-	0.5%	-	0.0%
Held For Sale	19	-	10.8%	24,835	11.6%

<sup>^</sup> For the purpose of this chart, The Company's Corporate Head office (1404 m) is classified in the "Office" category and not as PP&E as it is classified as in the Company's financial statements.

\*For the purpose of this chart, rent received from Mandal Daatgal, an MGG Subsidiary, is included in "Office" revenues. These revenues are eliminated upon consolidation in our Consolidated Financial Statements,.

# Factors That Will Lead to Operating Leverage

Issue	Solution
Fixed cost structure at Corporate Office and Property Division.	Additional income producing assets that will give substantial operating leverage.
Vast majority of current leases are at rates that are below market.	New leases are being signed at current market rates. Average lease duration of 15 months should allow accelerated rental increases.
Togrog depreciation against the Canadian Dollar has hurt revenues when reported in Canadian Dollars.	New leases are being signed that take into account the decline in the Togrog.
Sizable development portfolio that produces minimal revenue, but has substantial holding costs.	Unlocking the value of these assets is a management priority.
Mandal Daatgal, our insurance company, has continued to report losses and consumes substantial corporate resources.	Looking to dispose of Mandal and realize substantial savings.

# Fixed Cost Structure\*

## Cost Structure Of The Larger Company That We Intend To Be

Corporate Office	Manages the company's reporting obligations. Public company expenses are largely fixed. We anticipate that costs will remain static.
Property Division	Manages all property assets in Mongolia. Current costs are expected to remain relatively constant as we do not expect this division to require additional staffing.
Property Level Expenses	Costs will increase as MGG adds additional income producing assets.

Incremental Revenues Will Lead To Sizable Increases In Cash Flow



# Non- Recurring Events Leading to Elevated Corporate Expenses 2011-2013

Cost Item	Dates Of Expense	Approximate Total Cost To Date (\$ Canadian Dollars)	Future Expected Costs After Q2/2013
Initial Public Listing	Q1/2011-Q2/2011	\$260,000	None
Corporate Infrastructure & Team Building Expense	Q1/2011-Ongoing	\$500,000	Still Ongoing, But at a Reduced Rate
TSX-Venture Listing	Q3/2012-Q1/2013	\$350,000	None
Initial Tax Structure Review & Planning	Q2/2012-Q4/2012	\$145,000	Will Review Periodically
Proposed Merger With Public Company	Q1/2013-Q2/2013	\$450,000	None
Mandal Disposition	Q3/2012-Q3/2013	\$50,000	Still Ongoing
<b>Total Cost</b>		<b>\$1,755,000</b>	<b>Most Are Completed</b>

**One Time Costs Should Trail Off As The Business Matures**

# Run Rate Expenses For Property Division

Item	2014 Expected Run Rate (Million Mongolian Togrog)	Expected Run Rate In \$ CAD (1600 CAD/MNT)
<b>Property Management Expenses</b>		
Advertising	20	\$12,500
Depreciation Of Computers And Vehicles	50	\$31,250
Office Expense	50	\$31,250
Professional Fees, Audit & Property Valuation	480	\$300,000
Office Employee Costs	840	\$525,000
Other	60	\$37,500
<b>Total Property Management Expenses</b>	<b>1500</b>	<b>\$937,500</b>
<b>Property Specific Costs</b>		
Property Insurance	50	\$31,250
Repairs & Maintenance	50	\$31,250
Salaries For Cleaning & Security	130	\$81,250
Land Tax	20	\$12,500
Property Tax	310	\$193,750
Utility Expense	100	\$62,500
Other	60	\$37,500
<b>Total Property Specific Costs</b>	<b>720</b>	<b>\$450,000</b>
<b>Total Property Division Costs</b>	<b>2,220</b>	<b>\$1,387,500</b>

“Expected 2014 Run Rate Expenses” represent the estimates of management based on recent expense history (12 months ending September 30, 2013). Future expenses may differ materially from expenses experienced over those 12 months — particularly if there are changes in government policy or inflation rates. Property specific expenses exclude non cash expenses and depreciation. “Run Rate Expense Rate For Property Division” uses estimates of future expense rates assuming no substantial changes to staffing rates or inflation. These estimates also exclude one time and unpredictable expenses which may actually be recurring in nature. “Run Rate Expense Rates For Property Division” expense rates exclude non cash investment property depreciation. Expenses were calculated using an estimated exchange rate of \$1600/CAD/MNT. Future exchange rates may vary in either direction.

# Run Rate Revenues For Property Division

Asset Type	Current Annualized Revenue (Million MNT)**
High Street Retail	1,014
Low Street Retail	357
Office	773
Renovations	-
Apartments	42
<b>Total Core Portfolio*</b>	<b>2,186</b>
Development Assets	101
Marketed For Sale	298
<b>All Property Assets</b>	<b>2,585</b>

\*Core Portfolio includes all property assets not for sale, or held for development or part of PP&E

\*\*Annualized Revenue is calculated by annualizing the September 2013 monthly billed revenue figure

# Reasons For Receiving Below Market Rents

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- Rapid rental rate increases mean that majority of older leases were signed below current market rates
- Certain tenants signed leases at reduced market rates in exchange for undertaking substantial property renovations
- Legacy leases inherited when we acquired assets are currently at below market rates
- Most leases are priced in \$USD and then converted to Mongolian Togrog on leases. The decline in the Togrog has meant that leases are below market in \$USD terms.

# Incremental Revenue Increases Go To the Bottom Line

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## Items Expected To Increase Rents In The Next 12 Months:

- Resetting Of Current Rents To Market Rates
- Annual Inflation Adjustments Should Increase Rents
- Resetting Mandal Rents To Market Rents Once Mandal Is Sold
- Reducing Vacancies In Recently Completed Renovation Projects
- Two Large Renovation Projects Currently In Progress

# Development Assets Tie Up a Lot of Capital, Yet Are the Future of our Growth

Asset	Annualized September 2013 Billed Monthly Rent (Million MNT) *	Anticipated Annual Property Specific Expenses (Million MNT)	Annualized September 2013 Billed Monthly Rent – Anticipated Annual Property Specific Expenses (Million MNT) *	Cost Basis (Million MNT)	Annualized Yield On Cost Basis
Peace	2	20	-18	8,138	-0.2%
Orange	41	25	16	3,347	0.5%
Yellow	32	20	12	1,708	0.7%
Brown	27	12	15	1,753	0.9%
<b>Total For Development</b>	<b>102</b>	<b>77</b>	<b>25</b>	<b>14,932</b>	<b>0.2%</b>

\* The following numbers are Management estimates and may vary in the future.

# Ulaanbaatar: A Unique Opportunity

The majority of all commercial activity is focused on ONE street called Peace Avenue



- The downtown corridor is only 3km long along Peace Avenue
- Only a handful of secondary streets downtown
- The majority of businesses want to be located downtown
- Downtown constrained by geography and traffic

# Factors Impacting Rents in Downtown Ulaanbaatar

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Corporate Profits &  
Disposable Income



Strong Growth

Employment



Low Unemployment

New Supply



Minimal Supply Of New  
Retail Space

International Brands



Demanding Premium Locations

Inflation



Moderating

Slowdown In Mining



Reduced Activity From Certain  
Mining Companies



# Factors Impacting Property Valuations in Downtown Ulaanbaatar

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Rental Rates



Rental Rates Are Increasing

Interest Rates



Interest Rates Are Declining

New Supply



Supply Is Severely Constrained By  
The Small Downtown Footprint

Foreign Investment  
In Property



Foreigners Have Pulled Back On  
Acquisitions

Capitalization Rates



Have Remained Constant At From  
7-12%

Uncertainty Regarding Mine  
Start Dates



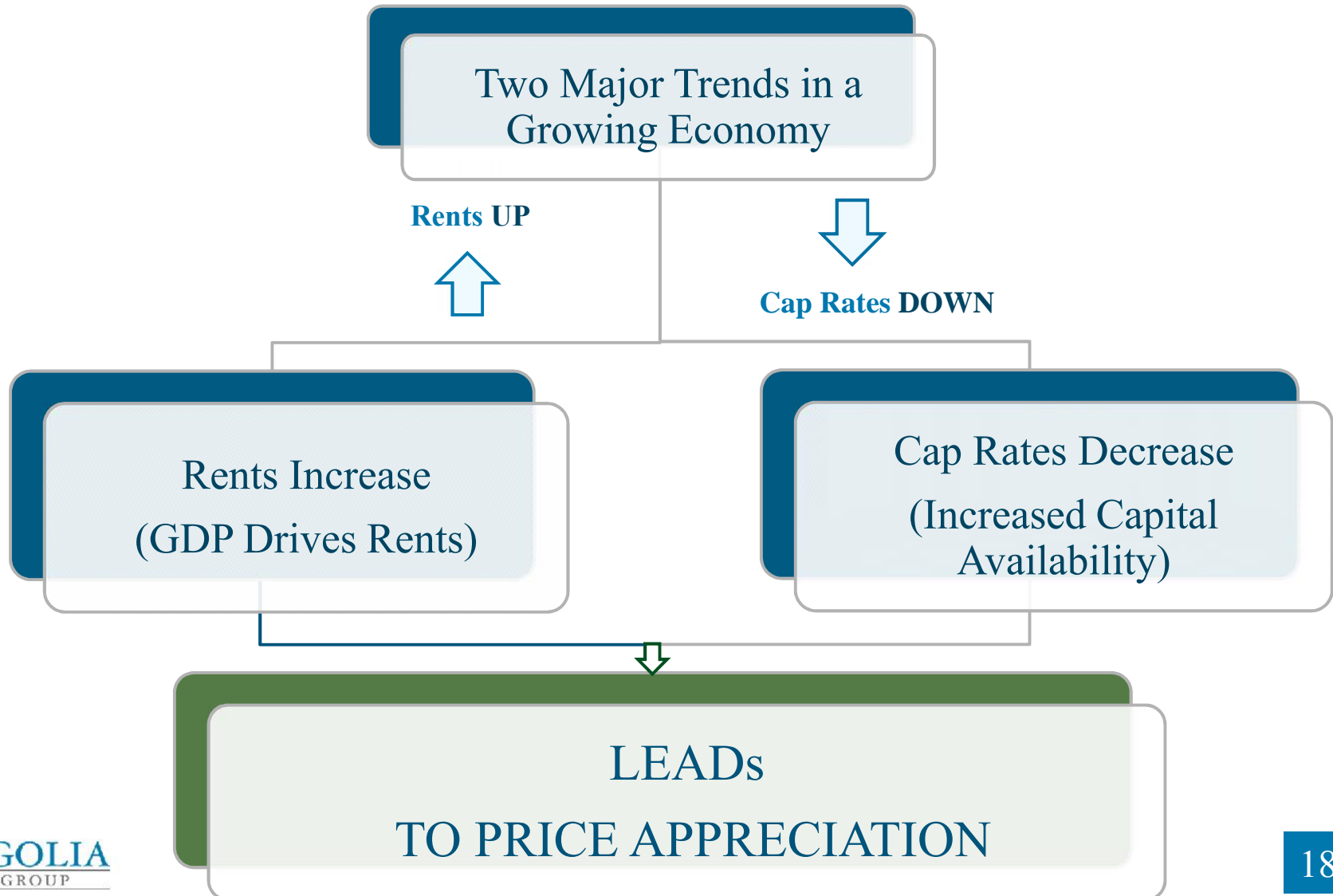
Future Growth Timeline Is  
Uncertain

Exchange Rate Volatility



Decline In Togrog  
Is Impacting Purchasing  
Power

# Real Estate



**Small Population**

+

**Resource Boom**

=

**Explosive Property Price  
Appreciation**



# Contact

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