

## December 2012 Monthly Newsletter

Dear Shareholders of Mongolia Growth Group Ltd.,

I want to start this letter by apologizing for not publishing a November letter. This was necessitated by the need to have no changes in any information prior to the final review of our application for our recently completed TSX Venture listing. Until January 8th, our shares traded on the Canadian National Stock Exchange (CNSX) and they now trade on the TSXV. We believe that moving to a more widely followed exchange will increase the liquidity of our shares and our ability to continue to attract new investors.

At the same time, this change has not occurred without considerable expense. To date, management estimates that this listing change has cost the company in excess of CDN \$300,000 and taken up thousands of hours of management's time. Additionally, this expense has also been partly responsible for the company showing a small loss before stock option expense for the past two quarters. Fortunately, this process is now behind us and I would like to thank everyone who has put their time into helping with this process.

During November and December of 2012, MGG did not complete the purchase of any property assets, but continued to dispose of "held for sale" 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 to acceptable terms for a transaction.

On the 26th of November, we filed our third quarter financial results. Our company reported a combined pre-tax profit of \$27,516 for the three months ending September 30, 2012 when you exclude share based payments. I should note that this profit included a \$199,080 unrealized gain on fair value adjustment on investment property. This was a non-cash accounting entry and is not expected to be recurring. Excluding this fair value adjustment, we reported a loss of \$171,564. We had expected to report a slight profit for the quarter, but changes in the Mongolian Togrog/Canadian Dollar exchange rate, TSXV listing expenses, certain previously unrecorded acquisition expenses and pre-development expenses in Mongolia that could not be capitalized, continuing marketing expenses and higher than expected claims at Mandal, our insurance company, led to the small loss that you see. We anticipate that our current small recurring losses will become small gains upon the conclusion of the TSXV listing expenses and the completed lease out of our three office properties undergoing renovations.

<b>Division</b>	<b>Pre-Tax Profit (Loss) Before Share Based Payments</b>
Property	\$359,398 (\$160,318 excluding a property fair value adjustment)
Insurance	\$(31,759)
Corporate	\$(300,123)
Total	\$27,516

**Certain highlights from the three month period ending September 30, 2012 include;**

### **Property Results**

- Disposed of investment property with a fair value of \$519,065 for a \$45,065 gain
- Rental revenues increased to \$407,769
- Quarter end vacancies declined moderately to 2.6% vs. 4.5% % of rentable properties in the second quarter
- Initiated a sizable renovation program on three office assets. When fully leased, these assets are expected to substantially increase rental revenues with minimal additional expected costs

- Revamped our leasing website, <http://www.mggleasing.com> which includes portfolio assets and 3rd party assets that are for lease or sale

### Insurance Results

- Net premiums earned of \$107,025
- Incurred total insurance claims of \$72,793

### Corporate Information

- Has grown to 73 total employees (65 Mongolian and 8 foreign)

For more information on our third quarter results, please see our interim 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. 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.

On a final note, I'd like to point out that as investors, we like to talk about the upside we see in Mongolia, but the unfortunate truth is that the gains from the current boom are not being evenly distributed to all Mongolians. As in any developing economy, education is a key component in economic advancement. Here at MGG, we want to ensure that students in the ger districts have access to the same materials that students in the downtown find essential. In 2011, we selected 3 schools to support by donating over 450 text-books and other reading materials to. This year, we have continued our support of these schools by donating an additional 300 books. Our intention is to substantially increase our efforts towards education as our company begins to show regular profitability. As long term investors in Mongolia, we see education as a primary way to facilitate continued economic growth and ensure that everyone participates in this growth. Below are a few pictures taken at the various schools when the books were donated.

MGG employees, speaking to senior students at school 17



MGG employees, introducing the selection of books to the senior students and principal at school number 37



Principal, high school manager and Librarian at school number 17 reviewing the donated books



Students at school 67 receiving their new books



I want to conclude by thanking all employees of Mongolia Growth Group, those in our property business and those at Mandal Insurance, for their help in making 2012 amazingly successful for our company. In particular, I want to thank our shareholders as Jordan and I could not have created this company without your investment in MGG. As stewards of your capital, we take this responsibility very seriously. We have big plans for 2013 and want to once again thank everyone for their continued support.

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 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.

