



Harris Kupperman
CEO and Chairman of the Board

Letter to Shareholders

Q2 2017 Letter to Shareholders - MD&A

Dear Shareholders,

Second quarter AFFO was in-line with expectations and saw a continued improvement since previous quarters, improving from negative \$57,379 in the first quarter of 2017, to negative \$42,162 in 2017's second quarter. This was the result of the Corporation's efforts to reduce expenses offset by a continued decline in revenue due to Mongolia's economic crisis.

MGG remains focused on maintaining its current cost structure while finding ways to increase revenue. Unfortunately, the current economic situation makes it difficult to find additional revenue—while expenses are likely to increase in future quarters following an elongated period of aggressive cost cuts. Fortunately, our team continues to excel in a very difficult market and our occupancy rates are substantially ahead of sector averages.

The brightest spot during the quarter was the Company's ability to purchase 13,000,000 additional shares of Mongolian Mining Corporation (975 – Hong Kong) at an average price of 17.2 Hong Kong cents when the shares declined, because of instability caused by the recently completed Presidential election. At quarter end, MGG owned 33,000,000 shares. MGG purchased an additional 12,000,000 shares following the end of the quarter, at an average price of 19.6 Hong Kong cents, bringing the Company's ownership to 45,000,000 shares. While the value of our share position declined during the quarter, we believe that the shares remain undervalued.

Additionally, the Company's other equity positions produced a realized gain of CDN \$22,066. This was a result of strong investment performance offset by a small overall portfolio due to the Company's lack of capital to allocate to public securities. Over time, we anticipate that our current and future share ownership positions will be volatile, but likely to produce positive returns to shareholders.

MGG is focused on selling additional property assets in order to increase liquidity and offset future anticipated operating losses, while ensuring that the Corporation has excess liquidity to invest in attractive future opportunities such as Mongolian Mining Corporation. Unfortunately, instability leading up to and following the Presidential elections has put a chill on the property market and transaction volume has slowed to a crawl. It is hoped that transaction volumes will pick up in future quarters assuming that politicians do not resume anti-business rhetoric. MGG did use recent economic weakness to acquire land that is contiguous with one of our existing re-development packages. Despite our reduced cash position, we continue to seek out ways to expand our re-development packages at acceptable prices.

Unfortunately, the Mongolian economy continues to experience extreme weakness, particularly in the property sector, though the rate of contraction may be slowing and potentially bottoming. As we are not AFFO positive currently and unlikely to be AFFO positive in the future, our goal is to continue selling assets in order to increase our liquidity and ride out the crisis as best as possible.

Despite our very limited liquidity, we believe that repurchasing shares remains a good use of our capital and the Corporation will continue on this path as long as the shares remain undervalued and we have sufficient liquidity to continue repurchasing shares.

Sincerely,

Harris Kupperman

CEO and Chairman of the Board