



Harris Kupperman
CEO and Chairman of the Board

Letter to Shareholders

Q3 2020 Letter to Shareholders - MD&A

Dear Shareholders

Our core Mongolian business suffered during the third quarter as the impact of quarantines and other restrictions upon businesses dramatically reduced rental revenue. We have done everything we can to reduce costs and blunt the impact of reduced revenue, but there is only so much we can do. Fortunately, the Mongolian economy does not seem to be worsening and over the third quarter, our rental revenues along with third party commissions improved somewhat when compared to the second quarter. This revenue improvement continued into October, though it is still dramatically below 2019 levels. At the same time, we worry that any recovery will be slow and uneven, particularly as so much of the economy relies on summer tourism which effectively did not happen this year.

During the recurring years of economic crisis within Mongolia, our focus has been on retaining stable tenants and working with them when they have short-term difficulties—as we know how difficult it is to find tenants who are reliable, especially as we want to avoid the costs associated with vacancy. COVID-19 has added a new dimension to this struggle. We have worked selectively with many of our best tenants to keep occupancy high and achieve any revenue we can, despite the fact that their businesses are also suffering. While bad debt expense has been low thus far, we have minimal visibility into bad debt in future quarters, particularly if new COVID-19 restrictions should be enacted. As a result of reduced revenues and roughly constant expenses, our losses from operations increased substantially. While we are hopeful that the situation in Mongolia continues to recover over the next few quarters, we expect a slow recovery. If there is an upside thus far, it is that most of our tenants are committed to continuing their current business operations and we hope that rental rates can return to prior levels at some point in the future. Our securities portfolio produced a \$140,573 unrealized gain and a \$1,082,568 realized gain, along with a \$4,439 foreign exchange loss for the quarter. Additionally, the portfolio's value has continued to increase since the end of the third quarter. I would like to note that our portfolio is invested in a highly concentrated manner and often a handful of positions comprise the majority of the portfolio. Therefore, I would expect the portfolio to be fairly volatile and focus your attention on realized gains, which are indicative of where investments were underwritten compared to fair value. Unrealized gains can and will fluctuate wildly based on movements in our holdings; however, if we purchased these investments at an attractive enough valuation, they should eventually accrete towards fair value and allow us to continue realizing gains. While our public securities investments have helped offset operating losses during 2020, there are legal and tax reasons why it is inadvisable to grow this portfolio beyond a certain point. Instead, we see public securities as a highly liquid alternative to owning cash as we seek out an operating business to launch or acquire in North America.

During prior years, our Mongolian operations produced moderate cashflow that somewhat offset losses on the Corporate side. Due to COVID-19, we no longer have certainty that our Mongolian operations will produce positive cashflow going forward. As a result, we are continuing to evaluate our corporate structure to see what else we can do to utilize our talented Mongolian team to create additional revenue opportunities. During the summer, we began producing a financial data product that is now undergoing a limited Beta test. Given the interest generated during this test, we believe there may be a commercial application for this product. We plan to continue the Beta test for the next few months and if interest remains high, we intend to commercialize this product sometime in 2021. While we do not anticipate material revenue from any potential commercialization, we do hope we can offset some of our continued operating losses and increase our liquidity runway while we seek out a more substantive business to purchase or initiate.

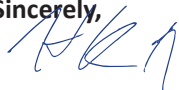
Unfortunately, despite much effort, we have not been able to find that perfect unicorn to acquire. We came close a few times, but either price or business attributes eventually negated a deal. As a result, we're increasingly leaning towards launching new businesses internally, though we will never shy away from the right acquisition.

Conceptually, as this Corporation continues to evolve, I see an entity with a core Mongolian presence, but also the ability to act like something of a Merchant Bank; having a strong and liquid capital base for launching and acquiring businesses, while using the flexibility of permanent capital to bridging the gap between public and private markets in terms of how we own these businesses. While this plan remains somewhat abstract, the launch of this first internally developed data business (however small), is the first concrete step in that direction. I hope to have more information in subsequent letters as we continue to refine the plan.

While we remain optimistic about Mongolia's long-term future, we are realistic about our own company's predicament. Our property business is subscale and we expect that when combined with our corporate overhead, MGG will likely produce operating losses (excluding potential gains from our public securities portfolio) for the foreseeable future. As a result, we remain focused on selling non-core property assets (particularly in office and re-development) so that we can diversify the business, while keeping our core portfolio and management team so that we can pivot back to Mongolia when the economy returns to attractive growth rates.

I remain of the opinion that our shares are undervalued. During the third quarter, the Company re-purchased 449,500 shares under our Normal Course Issuer Bid at a cost of \$92,551.

Sincerely,

A handwritten signature in blue ink, appearing to read 'HK1', is written over the word 'Sincerely,'.

Harris Kupperman
CEO