Dear Shareholders,

2016 has seen us demonstrate continued progress in terms of reducing costs, improving efficiencies and keeping AFFO losses to a minimum.

On the cost side, 2016 showed a $571,303 (21%) reduction in costs before non-capitalized development expense, depreciation and equity compensation when compared with fiscal 2015. We are continuing to work on finding additional cost cuts however potential savings appear to be largely exhausted after two years of aggressive cost reductions.

Adjusted Funds From Operations (AFFO) improved significantly year over year from a loss of $581,338 in 2015 to a loss of $199,829 in 2016.

Offsetting these improvements in our overall operations, our revenues in Mongolian Tögrög terms have continued to slide throughout 2016, with this slide further exacerbated by the 28.5% decline against the Canadian Dollar since the beginning of 2016.

Unfortunately, our AFFO continues to be negative and trends in the Mongolian economy indicate that this negative AFFO will accelerate from here over at least the next few quarters—even before factoring in the rapidly depreciating Mongolian Tögrög. We've done all that we could to reduce costs, find new sources of revenue and insulate shareholders from the accelerating decline of the Mongolian economy. Unfortunately, I suspect that this will not be enough to get us to positive AFFO and the next few quarters will be quite bleak before the Mongolian economy hopefully bottoms. Following this, I suspect that the tremendous glut of commercial property that has recently come online and is expected to come online over the next few years, will lead to an oversupply in property that will take at least a few years and likely quite longer to be absorbed, leading to stubbornly high vacancy and dramatically lower rental rates than we have had to contend with over the past few years. These factors will likely forestall any recovery in property values for many years into the future.

Unfortunately, we have not reached the scale needed to support the cost structure of being a publicly traded company and are unlikely to do so without raising substantial additional capital—which is unlikely to be available to us on acceptable terms for quite some time. As a result of this, I do not see a logical event path that gets us beyond roughly break-even AFFO for the foreseeable future, even if rental rates recover dramatically from here.

As CEO and largest shareholder, I clearly recognize that owning a collection of property that continues to have negative AFFO, while depreciating in value is a very unattractive outcome. Now that our AFFO losses have stabilized at a much reduced level, we have the flexibility to chart a new course that hopefully has better future returns for shareholders.

As we review the property market, we have concluded that values are likely to be stable at best and potentially depreciating in US and Canadian Dollar terms for many years into the future. Since the start of 2016, we have been trying to dispose of multiple assets with negligible operating income on the best terms possible, so that we can increase liquidity as we try and determine the correct path forward. Unfortunately, we have struggled to make sales as domestic demand for property assets remains soft and bank funding is difficult to come by. Additionally, it may take quite some time before the economy recovers sufficiently for us to make more than token asset sales.

I believe in the long-term future of Mongolia and believe that we have an outstanding portfolio of property assets along with a highly skilled team to manage them. Regrettably, this hasn't been sufficient for us to create value for shareholders and it appears that it will not be sufficient in the future either. Our goal over the past two years, since I returned as CEO, has been to lose less money and preserve as much value for shareholders as possible. This continues to be our goal.

Offsetting this rather negative outlook for our business, during 2016, one of our offshore subsidiaries purchased 19,000,000 shares of Mongolian Mining Corporation (975 – Hong Kong Stock Exchange) at an average cost of 14 Hong Kong cents. At the end of the year, we showed a mark-to-market gain of CDN $731,041 on this position.

We intend to continue seeking out attractive publicly traded investment opportunities both in Mongolia and abroad, where we can use our excess liquidity from property sales to earn attractive returns on capital as we await redeployment of this capital.

Despite everything that I've said above, I believe that our shares are highly undervalued. During the year, the Corporation repurchased 812,500 at an average price of $0.35. Despite our very limited liquidity, I 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 highly undervalued and we have sufficient liquidity to continue repurchasing shares.

The current economic situation in Mongolia is bleak and likely to get worse—yet I haven't lost hope in the ultimate future for MGG and intend to continue increasing my shareholdings over time.

Sincerely,

Harris Kupperman

CEO and Chairman of the Board