



Harris Kupperman
CEO and Chairman of the Board

Letter to Shareholders

Q4 2017 Letter to Shareholders - Annual Report

Dear Shareholders,

Seven years ago, I co-founded a company to invest in Mongolia. At the time, it was expected that Mongolia would be one of the world's fastest growing economies, for many years into the future. While, I expected there would be good and bad years along the way, no one could have anticipated the illogical nature of the self-inflicted economic crisis which has afflicted Mongolia for the past five years. Despite recent official numbers that purport to show an economic recovery, we have seen no recovery in our business, nor would we expect one, unless at least one of the mega-projects is approved to go forward. While we are hopeful that an approval is always imminent, we have become realists—approvals will only come when conditions are so dire that the Mongolian government has no choice but to do the right thing.

As I have noted in many past letters, as I look at our business, I am cognizant that we have not hit scale and are highly unlikely to ever hit scale as logical investors are highly unlikely to invest additional capital into Mongolia given the current backdrop. As our company consistently loses money, we have been forced to repeatedly sell assets to fund those losses; which then reduces our future revenues and increases our future losses. While we have been able to dramatically reduce costs over the past three years, this only slows the pace of our death spiral. As the economic crisis continues to intensify, it is expected that our revenues will continue to decline and the vice around us will tighten. Furthermore, if rental rates decline, so will the values of our property assets, which would further erode the carrying value of our business, even before the constant cash losses that are expected to continue and accelerate going forward.

If the above sounds rather bleak, that is, quite frankly, because it is. Fortunately, we are not completely without options. While Mongolia seems intent on self-immolation, many parts of this globe are growing. During 2017, we have continued our focus on asset sales, with a particular emphasis on; our development assets, as we no longer have the in-house team to develop these assets and our office buildings, excluding our headquarters, as the current glut of new development ensures that utilization will remain weak for many years into the future. In the

interest of transparency, I believe that we may be forced to sell certain assets at discounts to carrying values in order to re-purpose this capital into something else with a future. Unfortunately, the continuing economic crisis has meant that sales during 2017 have been rather anemic. To date, the capital released by our sales, has been re-invested in an increasingly diversified portfolio of highly liquid, publicly traded securities.

As of this writing, we have experienced both realized and unrealized net gains on this portfolio of securities. While, I expect investment returns will be highly volatile on a quarterly basis, I would also hope that over time, they show a net gain. That said; my goal is not to transition MGG's assets into a publicly traded securities portfolio as there are both regulatory and tax reasons why this is less than ideal. My hope remains that the Mongolian economy will one day recover and we will gain exposure to that recovery through our core retail focused portfolio. However, given the fact that a recovery may be many years into the future; senior management has spent the past half year researching other businesses that we can enter into that are outside of Mongolia and serve to diversify our business, while still leveraging our highly skilled Mongolian team. While we have not identified any candidates that interest us, we have also kept our spending on this endeavor to a minimum, outside of an increased travel expense. Fortunately, we are not in any hurry to re-allocate this capital and can wait for the ideal investment as we now have the liquidity to offset our future operating losses for some time, even as those losses increase in future periods.

While, I realize that this change in focus may be disappointing to some of you, we try to be realists. If the current business is destined towards failure, we should seek out something else with the potential to succeed. The bigger mistake would be to simply continue to do the same thing and hope for a different outcome.

On a final note, seven years ago, I decided that as a sign of confidence in this business, I would take no salary—largely as I expected that within a few years; my role would transition to that of a very dedicated board

member and saw myself as something of an interim CEO. Despite spending lots of time and money, we have never identified the right person to act as our permanent CEO. As the Mongolian economy continues to struggle, our potential future CEO options have continued to narrow and at this point, it seems silly to subject MGG to any additional overhead expense as our team in Mongolia is doing an outstanding job managing our business on a daily basis. Unfortunately for me, this means that I will never be able to transition out of the CEO role and seek out other business roles for myself. Therefore, as of January, 2018, I have agreed to accept a salary in-line with that which Genevieve, our CFO, receives. I realize that this is something of a change from my past promises, but I never expected that I would still be in a full-time role, seven years after our business was founded. For better or worse, I intend to continue to serve as CEO for the foreseeable future.

Despite all of the above, I believe that our shares are undervalued and I purchased additional shares of MGG for myself during 2017. While our liquidity remains tight, MGG purchased an additional 1,110,000 shares for gross proceeds of \$378,900 during the year under its Normal Course Issuer Bids. While I realize that maintaining liquidity is of paramount importance as the economic crisis worsens, I also believe that repurchasing shares is still a good use of our dwindling capital. Either; Mongolia turns around at some point and this buyback turns out to have been accretive, or Mongolia continues into the abyss, in which case, nothing we do will matter anyway.

Sincerely,

A handwritten signature in blue ink, appearing to read 'H. Kupperman', with a stylized flourish at the end.

Harris Kupperman

CEO and Chairman of the Board