Harris Kupperman
CEO and Chairman of the Board

Letter to Shareholders

Q2 2021 Letter to Shareholders - MD&A

Dear Shareholders

The second quarter of 2021 continued to be difficult for our Mongolian property operations as a result of recurring periods of COVID-19 lock-downs and the inability for many of our tenants to manage their businesses. As a property company, we are only as successful as our tenants and when our tenants' businesses cannot operate, we are unable to collect the rent we are owed. During the quarter we reported $144,581 (Q2 2020 - $181,406) of leasing revenue and $34,835 (Q2 2020 - $16,987) of other revenue (primarily 3rd party), offset by $245,497 (Q2 2020 - $206,811) of expenses in Mongolia. Unfortunately, our rental revenue once again did not cover our property level operating expenses, even before including the burden of corporate level expenses. It goes without saying, but this is clearly not sustainable. Additionally, during the past year, we strove to reduce costs and defer maintenance, but we cannot defer these costs indefinitely and we expect that our maintenance spending will increase during the second half of the year as we catch up on multiple deferred maintenance projects. Unfortunately, we have zero visibility into the future trajectory of the economic crisis in Mongolia. Until businesses are allowed to operate without interference, we are likely to continue to report depressing returns from our Mongolian operations.

Offsetting these losses, our public securities portfolio produced a $845,526 unrealized gain (Q2 2020 - $20,116) and a $3,477,804 realized gain (Q2 2020 - $1,043,445), along with a $146,063 foreign exchange loss (Q2 2020 -$19,820 gain). I would like to caution you strongly that returns like we have recently experienced are highly unlikely to be repeated in future quarters. While our public securities investments have helped to offset operating losses over the past few quarters, 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 holding cash as we seek out an operating business to launch or acquire in North America. Unfortunately, we have yet to identify such a business.

Our data analytics service, that tracks various Event-Driven strategies, named KEDM, continued to gain free subscribers during the second quarter and in the final week of the quarter we initiated a paywall. During June, we processed CAD $1,354,898 in subscription payments with additional payments processed since then. You will notice a new line item on our balance sheet for unearned revenue along with an increase in receivables on our balance sheet that represents payments during June for the service that began on July 1. These payments will be recognized as revenue over the term of the subscription.

To date, we are happy with the initial response to KEDM. Our plan is to use the subscription revenue to aggressively invest to improve KEDM. We are currently unsure how large this investment will be, as it will ultimately be determined by the overall recurring revenue the business can generate. However, we do expect that a healthy portion of the total revenue will be reinvested. Previously, we were unsure of the market's reaction to KEDM. Now that we know that there is a demand, we intend to push forward and improve the product while growing the overall reader base. To learn more about KEDM, go to www.KEDM.COM.

In order to avoid any confusion, I'd like to mention that MGG owns all intellectual property related to KEDM and we are focused on the marketing and distribution of KEDM. However, we do not produce KEDM. For legal and regulatory reasons, we have outsourced the production process to an independent entity that will produce KEDM to our specifications in exchange for a set monthly fee along with a percentage of the revenue above a threshold. Any investments that we make, will likely be reflected in a higher monthly fee paid to this independent entity.

Subsequent to quarter end, the Company created a Puerto Rican subsidiary that purchased a rental property in Puerto Rico. We anticipate that this property will be used for corporate purposes along with hopefully earning rental revenue. The overall size of the transaction is rather negligible, but it does add a new operating country to our rapidly expanding list and I wanted to mention it.

Returning back to our overall business, 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 convinced that our team in Mongolia is our most valuable asset as it gives us the optionality to move rapidly should the economy ever stabilize. I hope that one day, we will be able to prove that value to shareholders.

Finally, I remain of the opinion that our shares are undervalued. During the second quarter, the Company used its increased liquidity to accelerate the rate of purchases and re-purchased 1,179,000 shares under our Normal Course Issuer Bid at a cost of $601,668.

Sincerely,

Harris Kupperman
CEO