



Harris Kupperman
CEO and Chairman of the Board

Letter to Shareholders

Q3 2016 Letter to Shareholders - MD&A

Dear Shareholders,

The third quarter of 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, the third quarter of 2016 showed a \$193,360 (30%) reduction in costs before depreciation, equity compensation and non-capitalized development expenses when compared with the third quarter of 2015. We are continuing to work on finding additional cost cuts however potential savings appear to be largely exhausted.

Adjusted Funds From Operations (AFFO) improved from an AFFO quarterly loss of \$143,665 in Q3 2015 to a loss of \$46,238 in Q3 2016.

Our revenues in Mongolian Tögrög terms have continued to slide throughout 2016, with this slide further exacerbated by the 21% decline against the Canadian Dollar since the beginning of 2016. Additionally, high tenant turnover is forcing us to increase tenant improvement spending and we are re-leasing properties at mostly lower rates.

Unfortunately, our AFFO continues to be negative and trends in the Mongolian economy indicate that this negative AFFO will accelerate from here over 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 large quantity 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 pool 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 are in the process of undertaking a thorough overview of our operations with the goal of reevaluating our long term strategy and charting a path that leads to a positive return on capital.

As we review the property market, we have concluded that values are likely to be stable at best and likely depreciating in U.S. 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 and suspect that asset sales will have to be conducted at prices that may be a good deal lower than current carrying values, before various transaction costs—if they can be accomplished at all. 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 since I have returned as CEO, has been to lose less money and preserve as much value for shareholders as possible. This continues to be our goal.

Despite everything that I've said above, I continue to believe that our shares are undervalued. During the third quarter, the Corporation repurchased 280,500 shares at a gross cost of \$96,681. 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 undervalued and we have sufficient liquidity. 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,

A handwritten signature in blue ink, appearing to read 'HK' followed by a stylized flourish.

Harris Kupperman

CEO and Chairman of the Board