Mongolia Growth Group Ltd.

Consolidated Financial Statements
December 31, 2013
(expressed in Canadian dollars)

April 30, 2014

Independent Auditor's Report

To the Shareholders of
Mongolia Growth Group Ltd.

We have audited the accompanying consolidated financial statements of Mongolia Growth Group Ltd. and its subsidiaries, which comprise the consolidated statement of financial position as at December 31, 2013 and 2012, and the consolidated statements of operations, comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Mongolia Growth Group Ltd. and its subsidiaries as at December 31, 2013 and 2012 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

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Mongolia Growth Group Ltd.

Consolidated Statements of Financial Position

As at December 31

(expressed in Canadian dollars)

	2013 $	2012 $
Assets		
Current assets		
Cash and cash equivalents (note 6)	5,370,215	8,702,253
Investments and marketable securities (note 7)	104	3,992,547
Other assets (note 8)	4,046,491	2,471,498
Reinsurance assets (note 9)	-	684,285
Deferred acquisition expenses (note 10)	-	93,175
	9,416,810	15,943,758
Non-current assets		
Other assets (note 8)	1,645,125	-
Investment properties (note 11)	32,313,391	30,786,742
Property and equipment (note 12)	3,915,692	4,576,031
Total assets	47,291,018	51,306,531
Liabilities		
Current liabilities		
Trade payables and accrued liabilities (note 13)	874,222	996,314
Income taxes payable (note 14)	4,121	92,107
Insurance contract liabilities (note 15)	-	2,300,604
	878,343	3,389,025
Non-current liabilities		
Deferred income tax liability (note 14)	1,090,117	613,946
Total liabilities	1,968,460	4,002,971
Equity		
Share capital (note 16)	52,204,394	51,681,818
Contributed surplus	4,423,914	3,214,195
Accumulated other comprehensive loss	(6,086,341)	(2,528,607)
Deficit	(5,219,409)	(5,063,846)
Total equity	45,322,558	47,303,560
Total equity and liabilities	47,291,018	51,306,531

Commitments and contingencies (note 20)

Approved by the Board of Directors

"Jordan Calonego" Director "William Fleckenstein" Director

The accompanying notes are an integral part of these consolidated financial statements.

Mongolia Growth Group Ltd.

Consolidated Statements of Operations

For the years ended December 31

(expressed in Canadian dollars)

	2013 $	2012 $ (Restated - note 5)
Revenue		
Rental income	1,650,895	1,572,603
Other revenue	76,478	9,857
	1,727,373	1,582,460
Expenses		
Salaries and wages	1,202,117	553,434
Other expenses (note 23)	3,326,841	2,337,138
Share based payment (note 16)	931,783	1,114,552
Depreciation (note 12)	137,877	137,041
	5,598,618	4,142,165
Operating loss	(3,871,245)	(2,559,705)
Net investment income (note 7)	239,055	288,859
Unrealized gain (loss) on fair value adjustment on investment properties (note 11)	3,845,521	(2,697,212)
Net income (loss) before income taxes	213,331	(4,968,058)
Provision for (recovery of) income taxes (note 14)	463,905	(36,083)
Loss from continuing operations	(250,574)	(4,931,975)
Income (loss) from discontinued operations - net of tax (note 5)	95,011	(1,141,775)
Net loss for the year	(155,563)	(6,073,750)
Net income (loss) per share (note 16)		
Basic		
From continuing operations	$(0.01)	$(0.14)
From discontinued operations	0.00	(0.03)
From net loss for the year	(0.01)	(0.17)
Diluted		
From continuing operations	(0.01)	(0.14)
From discontinued operations	0.00	(0.03)
From net loss for the year	(0.01)	(0.17)

The accompanying notes are an integral part of these consolidated financial statements.

Mongolia Growth Group Ltd.

Consolidated Statements of Comprehensive Loss

For the years ended December 31

(expressed in Canadian dollars)

	2013 $	2012 $ (Restated - note 5)
Net loss for the year	(155,563)	(6,073,750)
Other comprehensive loss		
Items that may be subsequently reclassified to income or loss		
Unrealized losses on translation of financial statement operations with Mongolian MNT functional currency to Canadian dollar reporting currency - continuing operations	(4,383,809)	(1,029,246)
Realized losses (unrealized losses) on translation of financial statement operations with Mongolian MNT functional currency to Canadian dollar reporting currency - discontinued operations (note 5)	826,075	(257,924)
Total comprehensive loss	(3,713,297)	(7,360,920)

The accompanying notes are an integral part of these consolidated financial statements.

Mongolia Growth Group Ltd.

Consolidated Statements of Changes in Equity

For the years ended December 31

(expressed in Canadian dollars)

	Share capital $	Contributed surplus $	Accumulated other comprehensive loss $	Retained earnings (deficit) $	Total $
Balance at January 1, 2012	51,681,818	1,846,475	(1,241,437)	1,009,904	53,296,760
Net loss for the year	-	-	-	(6,073,750)	(6,073,750)
Other comprehensive loss	-	-	(1,287,170)	-	(1,287,170)
	51,681,818	1,846,475	(2,528,607)	(5,063,846)	45,935,840
Share based payments	-	1,367,720	-	-	1,367,720
Balance at December 31, 2012	51,681,818	3,214,195	(2,528,607)	(5,063,846)	47,303,560
Balance at January 1, 2013	51,681,818	3,214,195	(2,528,607)	(5,063,846)	47,303,560
Net loss for the year	-	-	-	(155,563)	(155,563)
Other comprehensive loss	-	-	(3,557,734)	-	(3,557,734)
	51,681,818	3,214,195	(6,086,341)	(5,219,409)	43,590,263
Share based payments	-	1,438,695	-	-	1,438,695
Share capital issued (note 16)	522,576	(228,976)	-	-	293,600
Balance at December 31, 2013	52,204,394	4,423,914	(6,086,341)	(5,219,409)	45,322,558

The accompanying notes are an integral part of these consolidated financial statements.

Mongolia Growth Group Ltd.

Consolidated Statements of Cash Flows

For the years ended December 31

(expressed in Canadian dollars)

	2013 $	2012 $
Cash provided by (used in)		
Operating activities		
Net loss for the year	(155,563)	(6,073,750)
Items not affecting cash		
Share based payments (note 16)	1,438,695	1,367,720
Deferred taxes (note 14)	423,418	(187,727)
Depreciation of property and equipment (note 12)	178,148	170,890
Realized loss on disposal of property and equipment	6,307	24,913
Realized loss (gain) on disposal of investment properties (note 11)	17,906	(12,768)
Unrealized loss (gain) on fair value adjustment on investment properties (note 11)	(3,845,521)	2,697,212
Realized gain on disposal of subsidiary (note 5)	(359,252)	-
	(2,295,862)	(2,013,510)
Net change in non-cash working capital balances (note 21)	565,506	(1,802,137)
	(1,730,356)	(3,815,647)
Financing activities		
Proceeds from share issuance (note 16)	293,600	-
Investing activities		
Purchase of investments	-	(3,068,667)
Disposition of investments	-	3,092,881
Net acquisition of property and equipment	(131,773)	(433,710)
Net acquisition of investment properties	(715,915)	(6,896,289)
Proceeds on disposal of subsidiary - net of cash disposed (note 5)	(164,508)	-
	(1,012,196)	(7,305,785)
Effect of exchange rates on cash	(883,086)	(255,263)
Decrease in cash and cash equivalents	(3,332,038)	(11,376,695)
Cash and cash equivalents - Beginning of year	8,702,253	20,078,948
Cash and cash equivalents - End of year	5,370,215	8,702,253
Income taxes paid	184,342	122,902

The accompanying notes are an integral part of these consolidated financial statements.

(expressed in Canadian dollars)

1 Corporate information

Mongolia Growth Group Ltd. (MGG or the Company) was incorporated in Alberta on December 17, 2007, and is a real estate investment and development company participating in the growth of the Mongolian economy through the ownership of commercial investment property assets in Ulaanbaatar, Mongolia.

The Company's common shares were previously listed on the Canadian National Stock Exchange (CNSX). On January 9, 2013, the Company filed an application for the de-listing of the common shares from the CNSX and filed an application for the listing of common shares on the TSXV. The Company is now listed on the TSXV, having the symbol YAK.

MGG has one wholly-owned subsidiary at December 31, 2013, Mongolia Barbados Corp. Mongolia Barbados Corp. owns the wholly-owned subsidiaries Mongolia Fidelity Holding Corp., including its wholly-owned subsidiary, Mandal Universal LLC, and Big Sky Capital LLC. Big Sky Capital LLC owns the wholly-owned subsidiaries Chaos LLC, Carrollton LLC, Biggie Industries LLC, Orpheus LLC, Endymion LLC, Zulu LLC, Crescent City LLC, Oceanus LLC, and Tchoupitoulos LLC (together "the investment property operations"). The investment property operations are conducted in Big Sky Capital LLC and its subsidiaries. No active business operations occur in Mongolia Barbados Corp., Mongolia Fidelity Holding Corp., Mandal Universal LLC, Oceanus LLC, and Tchoupitoulos LLC at this time.

Prior to December 20, 2013, through the Company's wholly-owned subsidiary, Mandal General Insurance, the Company offered insurance products in Mongolia covering all common general insurance types. The Company's main lines of business were motor insurance, including voluntary motor third party liability, property, accident medical and travel and liability insurance. Mandal General Insurance was disposed of on December 20, 2013 and was therefore not a part of the Company as at December 31, 2013 (see note 5).

The Company is registered in Alberta, Canada, with its Head Office at its registered address at 1400, 700-2nd Street W, Calgary, Alberta, Canada. The Company is domiciled out of the Company's corporate office and principal place of business which is located at 100 King Street West, Suite 5600, Toronto, Ontario, M5X 1C9, Canada. The Company also has a business office for the Mongolian investment property operations at the corner of Chinggis Ave. and Seoul St. in Ulaanbaatar, Mongolia.

At December 31, 2013, the Company is organized into two business units based on the business operations:

- Big Sky Capital LLC and its subsidiaries own investment properties which are located in Ulaanbaatar, Mongolia and are held for the purpose of generating rental revenue, capital appreciation , and/or redevelopment; and

- The MGG Corporate office is located in Toronto, Canada and administers the financial resources, investment portfolio and corporate reporting and legal functions of the Company.

(expressed in Canadian dollars)

2 Basis of presentation

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). The significant accounting policies used in the preparation of these consolidated financial statements are summarized in note 3.

The consolidated financial statements, including the notes to the consolidated financial statements, are presented in Canadian dollars ($) which is the Company's presentation currency and the functional currency of the parent company. The functional currency of the Company's operating subsidiaries is the Mongolian National Tögrög (MNT).

These consolidated financial statements were approved by the Board of Directors of the Company for issue on April 30, 2014.

3 Significant accounting policies

a) Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and available-for-sale (AFS) financial assets with the exception of insurance contract liabilities which are measured on a discounted basis in accordance with accepted actuarial practice (which in the absence of an active market provides a reasonable proxy of fair value) as explained throughout this note.

b) Basis of consolidation

These consolidated financial statements include the accounts of MGG and its wholly-owned subsidiaries. Subsidiaries are entities controlled by MGG. Control exists when MGG is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiaries are prepared for the same reporting year as MGG, using consistent accounting policies. Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements. Upon the disposal of a subsidiary, amounts previously recognized in other comprehensive income in respect of that entity, are reclassified to income or loss.

(expressed in Canadian dollars)

c) Financial instruments

Financial assets

Financial assets are classified into one of the following categories: AFS, fair-value through profit or loss (FVTPL), or loans and receivables. The classification depends on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

i) Available-for-sale financial assets

AFS financial assets are non-derivatives that are either designated in this category or do not fit into any other category. AFS financial assets are initially measured at fair value on the consolidated statement of financial position from the trade date. Subsequent to initial recognition, AFS financial assets are carried at fair value with changes in fair values recorded, net of income taxes, in other comprehensive income (OCI) until the AFS financial asset is disposed of or has become impaired. When the AFS financial asset is disposed of or has become impaired, the accumulated fair value adjustments recognized in accumulated other comprehensive income (AOCI) are transferred to the consolidated statement of operations.

ii) Fair value through profit or loss

Financial assets at FVTPL are financial assets held for trading. A financial asset is classified in this category if it is acquired principally for selling in the short term. Derivatives are also categorized as held for trading unless they are designated as hedges. FVTPL instruments are carried at fair value in the consolidated statement of financial position with changes in fair value recorded in the consolidated statement of operations.

iii) Loans and receivables

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specific date or dates, or on demand. They are initially recognized at cost, being the fair value of the consideration paid for the acquisition of the investment. After initial measurement, loans and receivables are measured at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs.

(expressed in Canadian dollars)

Impairment on financial assets

All financial assets other than FVTPL instruments are assessed for impairment at each reporting date. The Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or group of financial assets.

AFS debt instruments

An AFS debt security would be identified as impaired when there is objective evidence suggesting that timely collection of the contractual principal or interest is no longer reasonably assured. This may result from a breach of contract by the issuer, such as a default or delinquency in interest or principal payments, or evidence that the issuer is in significant financial difficulty. Impairment is recognized through net income or loss in the consolidated statement of operations. Subsequent declines in value continue to be recorded through net income or loss in the consolidated statement of operations. Impairment losses previously recorded through net income or loss in the consolidated statement of operations are to be reversed if the fair value subsequently increases and the increase can be objectively related to an event occurring after the impairment loss was recognized.

AFS equity instruments

Objective evidence of impairment exists if there has been a significant or prolonged decline in the fair value of the investment below its cost or if there is a significant adverse change in the technological, market, economic, political or legal environment in which the issuer operates or the issuer is experiencing financial difficulties.

The accounting for an impairment that is recognized in net income or loss in the consolidated statement of operations is the same as described for AFS debt securities above with the exception that impairment losses previously recognized in net income or loss in the consolidated statement of operations cannot be subsequently reversed until the instrument is disposed of. Any subsequent increase in value is recorded in OCI.

Financial liabilities

Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred, and are comprised of trade payables and accrued liabilities. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

(expressed in Canadian dollars)

Trade payables and accrued liabilities represent liabilities for goods and services provided to the Company prior to the end of the period which are unpaid. Trade payable amounts are unsecured and are usually paid within 30 days of recognition.

Fair value of financial instruments

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. Financial assets and liabilities recorded at fair value in the consolidated statement of financial position are measured and classified in a hierarchy consisting of three levels for disclosure purposes. The three levels are based on the priority of the inputs to the respective valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). An asset or liability's classification within the fair value hierarchy is based on the lowest level of significant input to its valuation. The input levels are defined as follows:

- Level 1 fair value measurements are those derived from unadjusted quoted prices in an active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from quoted prices in markets that are not active or inputs that are observable for the asset or liability, either directly (i.e., as price) or indirectly (derived from prices).
- Level 3 fair value measurements are those derived from unobservable inputs that are supported by little or no market activity and are significant to the estimated fair value of the assets or liabilities.

The Company has implemented the following classifications:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities

- The Company defines active markets based on the frequency of valuation and any restrictions or illiquidity on disposition of investments. The size of the bid/ask spread is used as an indicator of market activity for fixed maturity securities. Assets measured at fair value and classified as Level 1 include cash and cash equivalents, and investments and marketable securities. Fair value is based on market price data for identical assets obtained from the investment custodian, investment managers or dealer markets. The Company does not adjust the quoted price for such instruments.

Level 2: Quoted prices in markets that are not active or inputs that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices)

- Level 2 inputs include observable market information, including quoted prices for assets in markets that are considered less active. Assets measured at fair value and classified as Level 2 include investments and marketable securities. Fair value is based on or derived from market price data for same or similar instruments obtained from the investment custodian, investment managers or dealer markets.

(expressed in Canadian dollars)

Level 3: Unobservable inputs that are supported by little or no market activity and are significant to the estimated fair value of the assets or liabilities

- Level 3 assets and liabilities would include financial instruments whose values are determined using internal pricing models, discounted cash flow methodologies, or similar techniques that are not based on observable market data, as well as assets or liabilities for which the determination of estimated fair value requires significant management judgement or estimation.

d) Investment properties

Investment properties include properties held to earn rental revenue, for capital appreciation, and/or for redevelopment. Investment properties are initially measured at fair value which is the purchase price plus any directly attributable expenditures. Investment properties are subsequently measured at fair value, which reflects market conditions at the date of the statement of financial position. Gains or losses arising from changes in the fair value of investment properties are recognized in the consolidated statement of operations in the year they arise. A key characteristic of an investment property is that it generates cash flows largely independently of the other assets held by an entity. Subsequent expenditure is included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the consolidated statement of operations during the financial period in which they occur. Substantially all of the Company's income properties and properties under development are investment properties.

Certain land leases held under an operating lease are classified as investment properties when the definition of an investment property is met. At inception these leases are recognized at the lower of the fair value of the property and the present value of the minimum lease payments.

Some properties may be partially occupied by the Company, with the remainder being held for rental income or capital appreciation. If that part of the property occupied by the Company can be sold separately, the Company accounts for the portions separately. The portion that is owner-occupied is accounted for under IAS 16, and the portion that is held for rental income, capital appreciation or both is treated as investment property under IAS 40. When the portions cannot be sold separately, the whole property is treated as investment property only if an insignificant portion is owner-occupied. The Company considers the owner-occupied portion as insignificant when the property is more than 90% held to earn rental income or capital appreciation. In order to determine the percentage of the portions, the Company uses the size of the property measured in square metres.

The fair value of investment properties was based on the nature, location and condition of the specific asset. The fair value is calculated at December 31, 2013 on the majority of investment properties by an independent, professional, qualified appraisal firm, whose appraisers hold recognized relevant, professional qualifications and who have recent experience in the locations and categories of the investment properties valued. The remaining investment properties' fair value was calculated by management and was performed by qualified individuals with recent experience in the locations and categories of the investment properties valued.

(expressed in Canadian dollars)

Overall, the external appraisal firm performed valuations on 67% (2012 - 61%) of the total carrying value of investment properties and management valued the remaining 33% (2012 - 39%). The carrying value of the investment properties that were valued at December 31, 2013 agree to the valuation reports by the external appraisal firm and management.

Investment property purchases where the Company has paid either the full or partial purchase proceeds to the sellor, but the Company has not yet received the official land or building title from the Mongolian Property office are recorded at the lower of cost and fair value as Prepaid deposits on investment properties and classified within other assets.

e) Assets held for sale

Assets, or disposal groups comprising assets and liabilities, are categorized as held for sale at the point in time when the asset or disposal group is available for immediate sale, management has committed to a plan to sell and is actively locating a buyer at a sales price that is reasonable in relation to the current fair value of the asset, and the sale is probable and expected to be completed within a one year period. Investment property that is to be disposed of without redevelopment has been determined to not have a change in use and continues to be recorded in investment property. Investment property that has evidence of commencement of redevelopment with a view to sell is transferred to assets held for sale. Investment properties are measured by the guidelines of IAS 40 - Investment Property. All other assets held for sale are stated at the lower of carrying amounts and fair value less selling costs. An asset that is subsequently reclassified as held and in use, with the exception of investment property measured under the fair value model, is measured at the lower of its recoverable amount and the carrying value that would have been recognized had the asset never been classified as held for sale.

f) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. The Company's specific revenue recognition criteria are as follows:

i) Rental revenue

The Company has not transferred substantially all of the benefits and risk of ownership of its investment properties and, therefore, the Company accounts for leases with its tenants as operating leases. Rental revenue includes all amounts earned from tenants related to lease agreements including property tax and operating cost recoveries.

The Company reports minimum rental revenue on a straight-line basis, whereby the total amount of cash to be received under a lease is recognized into earnings in equal periodic amounts over the term of the lease.

Contingent rents are recognized as revenue in the period in which they are earned.

(expressed in Canadian dollars)

Amounts payable by tenants to terminate their lease prior to their contractual expiry date (lease cancellation fees) are included in rental revenue at the time of cancellation.

Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset. Tenant incentives are recognized as a reduction of rental revenue on a straight-line basis over the term of the lease.

ii) Insurance revenues

Revenue from insurance operations is comprised of net premiums earned.

Premiums written are deferred as unearned premiums and recognized in the consolidated statement of operations over the terms of the underlying policies on a pro rata basis. Premiums written are gross of any commissions and amounts ceded to reinsurers.

Premiums ceded on insurance contracts are recognized as a reduction of gross premiums when payable or on the date the policy is effective.

iii) Investment income

Investment income is recorded as it accrues using the effective interest method. Dividend income on shares is recorded on the ex-dividend date. Gains and losses are determined and recorded as at the trade date, and are calculated on the basis of average cost. The effective interest rate method is used to amortize premiums or discounts on the purchase of AFS bonds.

g) Product classification

Insurance contracts are those contracts where the Company has accepted significant insurance risk from another party (the policyholders) by agreeing to indemnify the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines if it has significant insurance risk by comparing benefits paid with benefits payable if the insured event did not occur. All of the Company's insurance contracts are classified as insurance contracts as defined by IFRS.

Liability insurance contracts protect the Company’s customers against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non-contractual events. The typical protection offered is designed for employers who become legally liable to pay compensation to injured employees (employers’ liability) and for customers (individuals and legal entities) who become liable to pay compensation to a third party for bodily harm or property damage (public liability).

(expressed in Canadian dollars)

The Company's motor portfolio comprises both voluntary third party liability insurance (driver liability insurance) and motor insurance. Motor third party liability insurance covers bodily injury claims and property claims. Property damage under motor insurance, as well as bodily injury claims, are generally reported and settled within a short period of the accident occurring.

Property insurance ensures that Company's customers are paid compensation for the damage caused to their property or ensures their financial interests.

h) Claims and insurance benefits incurred

Gross claims and insurance benefits incurred include all claims and insurance benefits occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, reduced for the value of salvage and subrogation.

Reinsurance claims and insurance benefits are recognized when the related gross insurance claim is recognized according to the terms of the relevant reinsurance contracts.

i) Insurance contract liabilities

Insurance contract liabilities include unearned premiums and unpaid claims. Unpaid claims are initially established by the case method as claims are reported. The estimates are regularly reviewed and updated as additional information on the estimated unpaid claims becomes known and any resulting adjustments are included in the consolidated statement of operations as incurred. Insurance contract liabilities are determined using accepted actuarial practices. The bases used for estimating the Company's insurance contract liabilities are described below:

Unearned premiums

Unearned premiums are calculated on a pro rata basis, from the unexpired portion of the premiums written and are recognized over the term of the insurance contract in premiums earned.

At the end of each reporting period, a liability adequacy test is performed, in accordance with IFRS, to validate the adequacy of unearned premiums and deferred acquisition expenses. A premium deficiency would exist if unearned premiums are deemed insufficient to cover the estimated future costs associated with the unexpired portion of written insurance policies. A premium deficiency would be recognized immediately as a reduction of deferred acquisition expenses to the extent that unearned premiums plus anticipated investment income is not considered adequate to cover all deferred acquisition expenses and related insurance claims and expenses. If the premium deficiency is greater than the unamortized deferred acquisition expenses, a liability is accrued for the excess deficiency.

(expressed in Canadian dollars)

Unpaid claims

A provision is also made for management's calculation of factors affecting future development of unpaid claims including claims incurred but not reported (IBNR). IBNR is determined for each line of business under the expected loss method. Under the expected loss method, ultimate losses are based upon some prior measure of the anticipated losses as a percentage of earned premium. The expected loss ratios were based on Mongolian industry experience and the estimates used in setting the insurance subsidiary's premium rates. Estimates of salvage and subrogation recoveries are included in the estimated unpaid claims. The unpaid claims are discounted for the time value of money utilizing a discount rate based on the expected return of the investment portfolio and prevailing inflation rates that approximates the cash flow requirements of the unpaid claims. To recognize the uncertainty inherent in determining the unpaid claims amounts, the Company includes a Provision for Adverse Deviations (PFADs) relating to claim development and future investment income.

Reinsurance contracts held

The Company cedes reinsurance in the normal course of business. Ceded reinsurance contracts do not relieve the Company from its obligations to policy holders. Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held.

The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts. Reinsurance premiums ceded and reinsurance recoveries on losses incurred are recorded as reductions of the respective income and expense accounts.

The Company assesses its reinsurance assets for impairment on an annual basis. If there is objective evidence that the reinsurance asset is impaired the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss. The Company gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is calculated following the same method used for these financial assets.

Deferred acquisition expenses

Certain costs of acquiring and renewing insurance contracts, such as commissions and other acquisition costs, are deferred to the extent they are considered recoverable and are expensed in the accounting period, in which the related premiums are recognized as revenue.

(expressed in Canadian dollars)

j) Cash and cash equivalents

Cash and cash equivalents include cash at bank, deposits held at call with banks, other short-term bank deposits and highly liquid investments with an original term to maturity of three months or less at the date of purchase that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

k) Property and equipment

On initial recognition, property and equipment are valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in a manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items.

Property and equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses. All repairs and maintenance costs are charged to the consolidated statement of operations during the period in which they occur.

Depreciation is recognized in the consolidated statement of operations and is provided on a straight-line basis over the estimated useful life of the assets as follows:

Buildings	Straight-line over 40 years
Furniture and fixtures	Straight-line over 5 to 10 years
Equipment	Straight-line over 1 to 5 years
Vehicles	Straight-line over 10 years

Impairment reviews are performed when there are indicators that the net recoverable amount of an asset may be less than the carrying value. The net recoverable amount is determined as the higher of an asset's fair value less cost to sell and value in use. Impairment is recognized in the consolidated statement of operations, when there is objective evidence that a loss event has occurred which has impaired future cash flows of an asset. In the event that the value of previously impaired assets recovers, the previously recognized impairment loss is recovered in the consolidated statement of operations at that time.

An item of property and equipment is derecognized upon disposal or when no further economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of operations in the period the asset is derecognized.

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(expressed in Canadian dollars)

l) Income taxes

Income taxes are comprised of both current and deferred taxes. Current tax and deferred tax are recognized in the statement of operations except to the extent that it relates to items recognized in OCI or directly in equity. In this case, the tax is recognized in OCI or directly in equity respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the consolidated statement of financial position date in the countries where the Company and its subsidiaries operate and generate taxable income and are measured at the amount expected to be recovered from or paid to the taxation authorities for the current and prior periods.

Deferred income tax assets and liabilities are recorded for the expected future income tax consequences of events that have been included in the consolidated financial statements or income tax returns. Deferred income taxes are provided for using the liability method. Under the liability method, deferred income taxes are recognized for all significant temporary differences between the tax and financial statement bases for assets and liabilities and for certain carry-forward items, such as losses and tax credits not utilized from prior years. However, if the deferred income tax arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable income, it is not accounted for.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where, in the opinion of management, it is probable that future taxable profit will be available against which the deferred tax asset can be realized. Deferred income tax assets and liabilities are adjusted for the effects of changes in tax laws and rates, on the date the changes in tax laws and rates have been enacted or substantively enacted.

m) Foreign exchange transactions

Foreign currency transactions are translated at the rate of exchange in effect on the dates they occur.

Gains and losses arising as a result of foreign currency transactions are recognized in the current year consolidated statement of operations.

Translation of foreign operations

For the purpose of the consolidated financial statements, the results and financial position of the Mongolian operations are expressed in Canadian dollars, which is the functional currency of the parent, and the presentation currency of the consolidated financial statements.

(expressed in Canadian dollars)

The Company translates the assets, liabilities, income and expenses of its Mongolian operations which have a functional currency of MNT, to Canadian dollars on the following basis:

- Assets and liabilities are translated at the closing rate of exchange in effect at the consolidated statement of financial position date.
- Income and expense items are translated using the average rate for the month in which they occur, which is considered to be a reasonable approximation of actual rates.
- Equity items are translated at their historical rates.
- The translation adjustment from the use of different rates is included as a separate component of equity.

n) Comprehensive income

Comprehensive income consists of net income (loss) and OCI. OCI includes unrealized gains or losses on AFS financial assets, net of amounts reclassified to the statement of operations, and changes in unrealized gains (losses) on the translation of financial statement operations with Mongolian MNT functional currency.

o) Share capital and deferred share issuance costs

Ordinary shares issued by the Company are classified as equity.

Costs directly identifiable with the raising of capital will be charged against the related share issue, net of any tax effect. Costs related to shares not yet issued are recorded as deferred financing costs. These costs will be deferred until the issuance of the shares to which the costs relate, at which time the costs will be charged against the related share issuance or charged to operations if the shares are not issued.

p) Share based payment

The Company offers share based payment plans for directors, executive management, key employees and other key service providers. The purpose of the share based payment plan is to enhance the ability of the Company to attract and retain Directors, executive management, key employees and other key service providers whose training, experience and ability will contribute to the effectiveness of the Company and to directly align their interests with the interests of shareholders.

(expressed in Canadian dollars)

The Company's share based payment plans provide for the granting of stock options to independent Directors, executive management, key employees and other key service providers. Each stock option entitles the participant to receive one common share and can only be settled with the issuance of common shares, and as a result, is deemed to be an equity-settled share based payment transaction. Additionally, the Company will at times grant restricted stock of the Company under the terms of the Restricted Stock Award Plan. Restrictions on such shares are removed as the vesting conditions are met. For restricted shares, the holder is entitled to all dividend payments during the vesting period. Share based payment expense is measured based on the fair market value of the Company's shares at the grant date. The associated compensation expense is recognized over the vesting period or service period, whichever is shorter based on the number of rewards that are expected to vest.

Share based payment arrangements to other key service providers in which the Company receives properties, goods or services as consideration for its own equity instruments are measured at fair value.

The fair value of stock options granted is measured using the Black-Scholes option pricing model. The fair value of restricted shares granted is measured using the market price of the Company's shares.

Agent options granted as compensation for the issuance of shares are charged to share issue costs.

Any consideration received upon the exercise of stock options is credited to common shares. In the event that vested stock options expire without being exercised, previously recorded compensation costs associated with such options are not reversed.

q) Discontinued operations

A discontinued operation is a component of the Company's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale or distribution, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is restated as if the operation had been discontinued from the start of the comparative period.

The results of operations associated with disposal groups sold, or classified as held for sale, are reported separately as income or loss from discontinued operations.

(expressed in Canadian dollars)

r) Earnings (loss) per share

For both continuing and discontinued operations, the Company presents basic and diluted earnings (loss) per share (EPS) data for its common shares. Basic EPS is calculated by dividing the results of operations attributable to ordinary shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted EPS is determined by adjusting the results of operations attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares, which comprise share options.

s) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of operations, has been identified as the Chief Executive Officer. The Company is managed as three operating segments based on how information is produced internally for the purpose of making operating decisions. The segments are defined as investment property operations, insurance operations (up until December 20, 2013) and corporate.

t) Leases

The Company has entered into Mongolian government land leases on some of its investment properties. The Company, as a lessee, has determined, based on an evaluation of the terms and conditions of the arrangements, that these land leases meet the definition of an investment property and has classified them as such. At inception, these leases are recognized at the lower of the fair value of the property and the present value of the minimum lease payments.

The Company has entered into commercial and residential property leases on its investment properties. The Company as a lessor, has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains the significant risks and rewards of ownership of these properties and therefore accounts for these agreements as operating leases.

u) Provisions and contingent liabilities

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of the provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense of any provision is recognized in the consolidated statement of operations net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

(expressed in Canadian dollars)

Contingent liabilities are disclosed if there is a possible future obligation as a result of a past event, or if there is a present obligation as a result of a past event but either a payment is not probable or the amount cannot be reasonably estimated.

v) Changes in accounting policies

The Company has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2013. These changes were made in accordance with the applicable transitional provisions.

IFRS 7 - *Financial Instruments: Disclosures*

IFRS 7 was amended by the IASB in December 2011 and requires entities to provide disclosures related to offsetting financial assets and liabilities. The amendment was effective for annual periods beginning on or after January 1, 2013. This amendment did not result in a material impact on the consolidated financial statements.

IFRS 10, Consolidated Financial Statements

IFRS 10, Consolidated Financial Statements, replaces the guidance on control and consolidation in IAS 27, Consolidated and Separate Financial Statements, and SIC-12, Consolidation – Special Purpose Entities. IFRS 10 requires consolidation of an investee only if the investor possesses power over the investee, has exposure to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns. Detailed guidance is provided on applying the definition of control. The accounting requirements for consolidation have remained largely consistent with IAS 27.

The Company assessed its consolidation conclusions on January 1, 2013 and determined that the adoption of IFRS 10 did not result in any change in the consolidation status of any of its subsidiaries and investees.

IFRS 11, Joint Arrangements and IAS 28R, Investments in Associates and Joint Ventures

IFRS 11, Joint Arrangements, supersedes IAS 31, Interests in Joint Ventures, and requires joint arrangements to be classified either as joint operations or joint ventures depending on the contractual rights and obligations of each investor that jointly controls the arrangement. For joint operations, a company recognizes its share of assets, liabilities, revenues and expenses of the joint operation. An investment in a joint venture is accounted for using the equity method as set out in IAS 28, Investments in Associates and Joint Ventures (amended in 2011). The standards did not affect the Company as it did not have any investment in associates or joint arrangements.

(expressed in Canadian dollars)

IFRS 12, Disclosure of Interests in Other Entities

IFRS 12, Disclosure in Other Entities, establishes disclosure requirements for interests in other entities such as subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and the risks associated with, an entity's interest in other entities. IFRS 12 replaces the previous disclosure requirements included in IAS 27 – Consolidated and Separate Financial Statements, IAS 31 – Joint Ventures and IAS 28 – Investment in Associates. The adoption of this standard affected disclosures but did not have an impact on the recognized amounts or measurements in the consolidated financial statements.

IFRS 13, Fair Value Measurement

IFRS 13, Fair Value Measurement, provides a single framework for measuring fair value. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The Company adopted IFRS 13 on January 1, 2013 on a prospective basis.

The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the Company to measure fair value and did not result in any measurement adjustments.

IAS 1 Amendment, Presentation of Items of Other Comprehensive Income

These amendments required the Company to group other comprehensive income items by those that will be reclassified subsequently to net earnings and those that will not be reclassified. These changes did not result in any adjustments to other comprehensive income or comprehensive income.

w) Accounting standards issued but not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2014 or later and have not been applied in preparing these consolidated financial statements. Those which are relevant to the Company are set out below. The Company does not plan to adopt these standards early and is continuing to evaluate the impact of such standards.

(expressed in Canadian dollars)

IFRS 9 – Financial Instruments

IFRS 9 – Financial Instruments introduces new requirements for classifying and measuring financial assets and financial liabilities. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 also introduced additional changes related to financial liabilities.

The IASB also recently introduced amendments to IFRS related to hedge accounting. The Standard is not applicable until annual periods beginning on or after January 1, 2015, but is available for early adoption. In November 2013, the IASB issued three amendments affecting IFRS 9, IAS 7 and IAS 39. The first amendment sets out new hedge accounting requirements. The second amendment allows entities to apply the accounting for changes from own credit risk in isolation without applying the other requirements of IFRS 9. The third amendment removes the mandatory effective date of IFRS 9 from January 1, 2015 to a new date that will be determined when IFRS 9 is closer to completion.

IAS 39 – Financial Instruments: Recognition and Measurement

IAS 39, Financial Instruments: Recognition and Measurement, was amended to clarify that hedge accounting should be continued when a derivative financial instrument designated as a hedging instrument is replaced from one counterparty to a central counterparty or an entity acting in that capacity and certain conditions are met. The amendment is effective for annual periods beginning on or after January 1, 2014 with early application permitted.

IFRIC 21 – Levies

IFRIC 21, Levies, sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognized. The interpretation is effective for annual periods beginning on or after January 1, 2014 with earlier application permitted.

4 Significant accounting estimates and judgements

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in net income (loss) in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

(expressed in Canadian dollars)

Significant estimates made in the preparation of these consolidated financial statements include the following areas:

- Fair value of investment properties - The estimate of fair value of investment properties is the most critical accounting estimate to the Company. An external appraiser estimates the fair value of the majority of investment properties annually. The fair value of investment properties is based on the nature, location and condition of the specific asset. The fair value of investment properties represents an estimate of the price that would be made in an arm's length transaction between knowledgeable, willing parties. The Company operates in the emerging real estate market of Mongolia, which given its current economic, political and industry conditions, gives rise to an increased inherent risk given the lack of reliable and comparable market information. The significant estimates underlying the fair value determination are disclosed in note 11. Changes in assumptions about these factors could materially affect the carrying value of investment properties.

- Accuracy of share based compensation expense - The estimate of the ultimate expense arising from share based compensation plans is another critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the share based compensation expense recorded by the Company. The ultimate expense is estimated by using a number of key assumptions such as the expected volatility of the share price, the dividends expected on the shares, the risk-free interest rate for the expected life of the option and future forfeiture rates. Further information on key assumptions including sensitivity analysis is included in note 16.

- Operating environment of the Company - Mongolia displays many characteristics of an emerging market including relatively high inflation and interest rates. The tax and customs legislation in Mongolia is subject to varying interpretations and frequent changes. The future economic performance of Mongolia is tied to the continuing demand from China and continuing high global prices for commodities as well as being dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government of Mongolia together with tax, legal, regulatory and political developments. Management is unable to predict all developments that could have an impact on the Mongolian economy and consequently what effect, if any, they could have on the future financial position of the Company.

(expressed in Canadian dollars)

5 Disposal of subsidiary

During the year ended December 31, 2013, the Company disposed of its interest in Mandal General Insurance LLC (Mandal). The Company held 100% of the shares of Mandal with net assets at the date of disposal of $2,484,624.

As part of this transaction, the Company filed a formal application with the Financial Regulatory Commission (FRC) of Mongolia to seek permission for disposal of Mandal, which was granted. The deal was closed on December 20, 2013 with the Company selling its stake to UMC Capital LLC (UMC) for consideration of $3,669,951. Cash consideration of $458,101 was paid at the date of closing with the remaining $3,211,850 (US$3,019,460) due in instalments over an 18 month period.

Mandal was not considered as discontinued operations or classified as held for sale as at December 31, 2012**.** Therefore, the comparative income statement has been restated to show these operations separately from the continuing operations. Management committed to a plan to sell this segment due to a strategic decision to place greater focus on the Company's core operation, being investment properties.

Income (loss) attributable to discontinued operations was as follows:

	2013 $	2012 $
Net premiums earned (note 15)	1,873,666	628,424
Other revenue	365,564	43,759
	2,239,230	672,183
Salaries and wages	773,611	481,541
Other expenses	1,669,853	1,562,090
Share based payment	506,912	253,168
Depreciation	40,271	33,849
	2,990,647	2,330,648
Net investment income	543,045	574,454
	(208,372)	(1,084,011)
Gain on disposal of subsidiary		
Realized loss on foreign currency translations	(826,075)	-
Gain on disposal of net assets	1,185,327	-
	359,252	-
	150,880	(1,084,011)
Provision for income taxes	55,869	57,764
Income (loss) for the period	95,011	(1,141,775)

(expressed in Canadian dollars)

Cash flows from (used in) discontinued operations:

	2013 $	2012 $
Net cash from operating activities	741,355	1,040,391
Net cash used from investing activities	(581,018)	(1,596,277)
Net effect on cash flows	160,337	(555,886)

6 Cash and cash equivalents

Cash at banks earns interest at floating rates based on daily bank deposit rates. The component of cash and cash equivalents account currently consists only of cash amounts held in banks or on hand.

The following table discloses the geographical location of cash and cash equivalents:

	2013 $	2012 $
Barbados	22,784	39,443
Canada	2,110,032	1,515,119
Mongolia	3,237,399	7,147,691
	5,370,215	8,702,253

Cash and cash equivalents are not collateralized. All amounts are classified as neither past due and not impaired.

The carrying amount of cash and cash equivalents approximates fair value.

The credit quality of cash and cash equivalents balances may be summarized based on Standard and Poor's ratings or equivalents of Moody's and/or Fitch ratings. The credit quality at December 31 was as follows:

	2013 $	2012 $
Cash on hand	10,822	10,146
A or A+ rated	2,109,532	1,550,838
-B or B+ rated	3,198,387	6,981,315
Unrated	51,474	159,954
Total cash and cash equivalents	5,370,215	8,702,253

The unrated balance relates to one (2012 - five) commercial banks in Mongolia, which have not been rated by any rating agency and one (2012 - one) private bank in Barbados which is also unrated.

(expressed in Canadian dollars)

7 Investments and marketable securities

a) Carrying and fair value of investments and marketable securities

The carrying and fair values of the Company's investment portfolio by financial instrument categories are as follows:

				2013
	Classified as loans and receivables $	Designated as FVTPL $	Total carrying value $	Total fair value $
Money market fund				
Barbados	-	104	-	104

				2012
	Classified as loans and receivables $	Designated as FVTPL $	Total carrying value $	Total fair value $
Money market fund				
Barbados	-	100	100	100
Term deposits				
Mongolia	3,992,447	-	3,992,447	3,992,447
	3,992,447	100	3,992,547	3,992,547

Deposits with Mongolian banks are denominated in Mongolian National Tögrögs and are placed with commercial banks operating in Mongolia. The Company had no deposits bearing fixed interest rates at December 31, 2013 (2012 - 13.8% to 16.2%).

(expressed in Canadian dollars)

b) Fair value hierarchy

The Company has categorized its assets measured at fair value into the three-level fair value hierarchy as summarized below, based upon the priority of the inputs to the respective valuation technique as defined in note 3:

		2013
	Level 1 **$**	**Total** **$**
FVTPL		
Money market fund	104	104

		2012
	Level 1 **$**	**Total** **$**
FVTPL		
Money market fund	100	100

The Company has not adjusted the quoted price for any instruments included in Level 1. There are no investments that meet the Level 2 or 3 fair value measurement criteria. No investments were transferred between levels in 2013 and 2012.

c) Credit quality of investments and marketable securities

The credit quality of investments and marketable securities may be summarized based on Standard and Poor's ratings or equivalents of Moody's and/or Fitch ratings. The credit quality at December 31 was as follows:

	2013 **$**	**2012** **$**
-B or B+ rated	-	1,445,637
Unrated	104	2,546,910
	104	3,992,547

The unrated balance relates to one commercial bank (2012 - three) in Mongolia, which have not been rated by any rating agency and one (2012 - one) private bank in Barbados which is also unrated.

(expressed in Canadian dollars)

d) Maturity schedule of fixed-term investments

	2013	
	One year or less $	**Total $**
Money market fund		
Barbados	104	104

	2012	
	One year or less $	**Total $**
Money market fund		
Barbados	100	100
Term deposits		
Mongolia	3,992,447	3,992,447
	3,992,547	3,992,547

The carrying amount of investments and marketable securities approximates fair value due to their short-term maturity. The carrying amount of the term deposits maturing in more than one year approximates their fair value as they were placed with the bank close to the end of fiscal 2012. Although these investments are classified as long-term, they are callable at any time.

e) Net investment income

	2013 $	**2012 $ (Restated - note 5)**
Interest income		
Term deposits and money market fund	231,200	273,161
Cash and cash equivalents	8,389	16,401
	239,589	289,562
Investment expense	(534)	(703)
	239,055	288,859

(expressed in Canadian dollars)

8 Other assets

	2013 $	2012 $
Amounts due from policyholder	-	222,011
Accounts receivable	138,714	255,628
Prepaid expenses	481,970	367,619
Prepaid deposits on investment properties	1,859,082	1,626,240
Consideration receivable from UMC (note 5)	3,211,850	-
	5,691,616	2,471,498
Less: Non-current portion of other assets	(1,645,125)	-
	4,046,491	2,471,498

Total consideration receivable from UMC at December 31, 2013 is $3,211,850 (note 5). Of this amount, $1,645,125 is not receivable until 2015. The amount receivable from UMC is collateralized by real property of UMC and the common shares of Mandal. All other assets are considered current.

9 Reinsurance assets

	2012 $
Reinsurers' share of provision for unearned premiums	261,853
Reinsurers' share of loss provision	422,432
	684,285

The entire balance of reinsurance assets is considered to be current.

(expressed in Canadian dollars)

10 Deferred acquisition expenses

The movement in deferred acquisition expenses during the year was as follows:

	2013 $	2012 $
Carrying amount at January 1	93,175	15,175
Acquisition expenses deferred	166,130	119,251
Acquisition expenses amortized	(154,476)	(40,857)
Foreign exchange adjustment	(16,244)	(394)
Disposal of subsidiary (note 5)	(88,585)	-
At December 31	-	93,175

The Company did not have any commission income from reinsurance during the period.

11 Investment properties

	2013 $	2012 $
Balance - beginning of period	30,786,742	26,166,286
Additions		
Acquisitions	1,684,451	8,190,935
Capital expenditures	131,137	374,890
Transfer from property and equipment	204,995	140,251
Disposals	(921,126)	(1,656,768)
Unrealized fair value adjustment(1)	4,040,173	(1,490,336)
Foreign exchange adjustments	(3,612,981)	(938,516)
Balance - end of period	32,313,391	30,786,742

i) Unrealized gain (loss) on fair value adjustment on investment properties recorded in the consolidated statement of operations includes an impairment provision of $194,652 (2012 - $1,206,876) for investment properties classified as prepaid deposits.

(expressed in Canadian dollars)

Investment properties by major category are as follows:

	2013 $	2012 $
Residential	1,378,377	1,697,443
Office	5,310,481	5,074,258
Retail	16,058,219	11,602,237
Land and redevelopment sites	9,566,314	12,412,804
	32,313,391	30,786,742

Included in investment properties are properties actively being marketed for sale that are to be disposed of without redevelopment with a fair value of $2,883,050 (2012 - $775,559). During the year, the Company sold investment properties for gross proceeds of $961,079 (2012 – 1,669,536). A loss (gain) of $17,906 (2012 - ($12,768)) on these transactions has been recorded in other revenue on the consolidated statement of operations.

Investment properties with an aggregate fair value of $21,718,639 (2012 - $18,819,566) at December 31, were valued by an external independent valuation professional who is deemed to be qualified appraiser who holds a recognized, relevant, professional qualification and who has recent experience in the locations and categories of the investment properties valued. The carrying value of investment properties valued by the external appraiser at December 31, 2013 and 2012 agrees to the valuations reported by the external appraiser.

The Company determined the fair value of investment properties using the income approach and the sales comparison approach, which are generally accepted appraisal methodologies.

Under the income approach, the methodology used was the direct capitalization approach which is based on rental income and yields. Rental incomes were based on current rent and reasonable and supportable assumptions that represent what knowledgeable, willing parties would assume about rental income from future rent in light of current conditions adjusted for non-recoverable property costs. Yields were determined using data from real estate agencies, market reports and property location among other things in determining the appropriate assumptions. Under this method, year one income is stabilized and capped at a rate deemed appropriate for each investment property.

The sales comparison approach analyzes all available information of sales of comparable properties that have recently taken place and adjusts the price to reflect differences in the property valued and sold.

The entire portfolio of investment properties has been valued using the income approach, the sales comparison approach or a combination thereof.

Under the fair value hierarchy, the fair value of the Company's investment properties is considered a level three, as defined in note 3.

(expressed in Canadian dollars)

The key valuation assumptions for commercial investment properties are as follows:

	2013		
	Maximum	**Minimum**	**Weighted-average**
Capitalization rate	11.5%	7.5%	9.5%

	2012		
	Maximum	**Minimum**	**Weighted-average**
Capitalization rate	14.2%	7.6%	10.8%

The following sensitivity table outlines the impact of an 0.25% change in the weighted average capitalization rate on investment properties at December 31, 2013:

	Change to fair value if capitalize rate increased 0.25%	Change to fair value if capitalization rate decreases 0.25%
Commercial property	(596,633)	628,883

Additional valuation assumptions include the rental revenue per square meter, grade quality of the property and comparable market data. Changes to these assumptions could have a material impact on the fair value of the Company's investment properties.

Investment properties include land held under operating leases with an aggregate fair value of $295,262 (2012 - $582,705) at December 31.

Certain investment properties held by the Company are leased out under operating leases. The future minimum lease payments under non-cancellable leases are as follows:

	2013 $	2012 $
Less than 1 year	1,358,772	2,011,716
Between 1 and 5 years	1,264,909	2,011,052
	2,623,681	4,022,768

Direct operating expenses arising from investment properties that generated rental income during the year was $1,130,285 (2012 - $764,440). Direct operating expenses arising from investment properties that did not generate rental income during the year was $267,899 (2012 - $222,967).

(expressed in Canadian dollars)

12 Property and equipment

	Furniture and fixtures $	Equipment $	Vehicles $	Buildings $	Total $
					2013
Cost					
At January 1	138,890	125,737	268,351	4,238,707	4,771,685
Additions	14,215	95,231	21,729	67,120	198,295
Disposals	(68,237)	(90,547)	(132,985)	-	(291,769)
Transfers to investment properties	-	-	-	(204,995)	(204,995)
Foreign exchange adjustment	(13,024)	(18,676)	(19,925)	(237,081)	(288,706)
At December 31	71,844	111,745	137,170	3,863,751	4,184,510

	Furniture and fixtures $	Equipment $	Vehicles $	Buildings $	Total $
					2013
Accumulated depreciation					
At January 1	17,606	37,970	32,090	107,988	195,654
Depreciation	12,650	43,813	24,200	97,485	178,148
Disposals	(10,740)	(41,688)	(23,775)	-	(76,203)
Foreign exchange adjustment	(2,643)	(13,828)	(1,043)	(11,267)	(28,781)
At December 31	16,873	26,267	31,472	194,206	268,818
Net book value at December 31	54,971	85,478	105,698	3,669,545	3,915,692

(expressed in Canadian dollars)

					2012
	Furniture and fixtures $	Equipment $	Vehicles $	Buildings $	Total $
Cost					
At January 1	109,122	81,605	234,039	4,241,393	4,666,159
Additions	66,104	55,517	36,666	275,423	433,710
Disposals	(35,996)	(4,012)	-	-	(40,008)
Transfer to investment properties	-	-	-	(140,251)	(140,251)
Foreign exchange adjustment	(340)	(7,373)	(2,354)	(137,858)	(147,925)
At December 31	138,890	125,737	268,351	4,238,707	4,771,685

					2012
	Furniture and fixtures $	Equipment $	Vehicles $	Buildings $	Total $
Accumulated depreciation					
At January 1	5,780	9,926	8,618	17,825	42,149
Depreciation	16,508	30,744	23,859	99,779	170,890
Disposals	(4,460)	(1,159)	-	(9,476)	(15,095)
Foreign exchange adjustment	(222)	(1,541)	(387)	(140)	(2,290)
At December 31	17,606	37,970	32,090	107,988	195,654
Net book value at December 31	121,284	87,767	236,261	4,130,719	4,576,031

(expressed in Canadian dollars)

13 Trade payables and accrued liabilities

	2013 $	2012 $
Trade and accrued payables	650,337	833,349
Premiums received in advance	-	4,949
Security deposit	145,315	130,084
Unearned revenue	78,570	27,932
	874,222	996,314

The carrying amounts above reasonably approximate fair value at the balance sheet date. All trade and other payables are current.

14 Income taxes

a) Effective tax rate

The provision for income taxes reflects an effective tax rate that differs from the combined tax rate for Canadian federal and provincial corporate taxes for the following:

	2013 $	2012 $
Net income (loss) before income taxes	213,331	(4,968,058)
Combined statutory tax rate	26.5%	26.5%
Tax payable (recoverable) based on statutory tax rate	56,533	(1,316,535)
Effect of:		
Permanent differences	175,406	189,128
Tax rate variances of foreign subsidiaries	(465,218)	923,247
Deferred tax assets not recognized	683,715	303,697
Other	13,469	(135,620)
	463,905	(36,083)
Provision for (recovery of) income taxes		
Current	40,487	151,644
Deferred	423,418	(187,727)
Provision for (recovery of) income taxes - continuing operations	463,905	(36,083)
Provision for income taxes - discontinued operations	55,869	57,764
	519,774	21,681

(expressed in Canadian dollars)

b) Deferred income taxes

Differences between IFRS and statutory taxation regulations in Mongolia give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases.

The Company did not recognize a deferred tax asset in these consolidated financial statements as there is uncertainty with regard to the recoverability of the asset for both the Canadian and Mongolian entities.

There are $520,000 (2012 - $1,861,000) of non-capital loss carry-forwards relating to the Mongolian entities that will expire in 2013. The Company also did not recognize deferred tax assets related to taxable temporary differences of $81,000. In accordance with Mongolian tax law, the taxable losses can be carried forward for two years and are deductible up to 50% of the taxable income of that year.

In accordance with Canadian tax law, the taxable losses can be forward twenty years. There are $5,419,472 (2012 - $2,953,429) of non-capital losses relating to the Canadian entity.

The losses expire as follows:

Year of expiry	Non-capital loss $
2028	8,572
2029	75,387
2030	275,393
2031	933,914
2032	1,660,163
2033	2,466,043

No future tax benefit has been recorded on these non-capital loss carry forwards as the timing for potential realization of these future benefits is uncertain.

Components of the deferred tax liabilities are as follows:

	2013 $	2012 $
Deferred tax liabilities		
Investment properties	1,090,117	557,903
Investment in related party	-	56,043
	1,090,117	613,946

(expressed in Canadian dollars)

15 Insurance contract liabilities

a) Insurance contract liabilities consist of:

			2012
	Insurance contract liabilities $	Reinsurers' portion $	Net $
Property and casualty			
Unearned premiums	1,031,176	(261,853)	769,323
Unpaid claims	1,269,428	(422,432)	846,996
Insurance contract liabilities	2,300,604	(684,285)	1,616,319
Current	2,300,604	(684,285)	1,616,319
Non-current	-	-	-
Insurance contract liabilities	2,300,604	(684,285)	1,616,319

(expressed in Canadian dollars)

b) The movements in unearned premiums for the year were:

			2013
	Insurance contract liabilities $	Reinsurers' portion $	Net $
At January 1	1,031,176	(261,853)	769,323
Gross premiums written	3,350,871	(1,127,799)	2,223,072
Premiums earned	(2,190,168)	316,502	(1,873,666)
Disposal of subsidiary (note 5)	(2,191,879)	1,073,150	(1,118,729)
At December 31	-	-	-

			2012
	Insurance contract liabilities $	Reinsurers' portion $	Net $
At January 1	310,993	(7,760)	303,233
Gross premiums written	2,004,415	(889,222)	1,115,193
Premiums earned	(1,263,553)	635,129	(628,424)
Foreign currency adjustment	(20,679)	-	(20,679)
At December 31	1,031,176	(261,853)	769,323

Gross premiums written and premiums earned include respective instalment service charges.

(expressed in Canadian dollars)

c) Property and casualty unpaid claims

			2012
	Gross unpaid claims $	Reinsurers' portion $	Net $
Provision for reported claims undiscounted	1,152,238	(373,011)	779,227
Effect of discounting and PFADs	117,190	(49,421)	67,769
	1,269,428	(422,432)	846,996

Management believes that the unpaid claims provision is appropriately established in the aggregate and is adequate to cover the ultimate net cost on a discounted basis. The determination of this provision, which includes unpaid claims, adjustment expenses and expected salvage and subrogation requires an assessment of future claims development. This assessment takes into account the consistency of the Company's claim handling procedures, the amount of information available, the characteristics of the line of business from which the claims arise and the delay inherent in claims reporting. This provision is an estimate and as such is subject to variability that may arise from future events, such as the receipt of additional claims information, changes in judicial interpretation of contracts or significant changes in frequency and severity of claims. As the insurance company is at a start-up stage, there is no historical loss information available. As a result, the Company has calculated the unpaid claims provision based on the expected loss method. Under the expected loss method, ultimate losses are based upon some prior measure of the anticipated losses relative to some measure of exposure, which the Company has used earned premium. The expected loss ratios were based on Mongolian industry experience and expected loss ratios used in determining the Company's premium rates. Any such changes in assumptions will be reflected in the consolidated statement of operations for the period in which the change occurred.

The loss ratios used in the calculations are as follows:

	2012 %
Accident insurance	70
Automobile insurance	55
Property insurance	60
Drivers' insurance	115
Liability insurance	60
Construction insurance	60
Cargo insurance	60
Finance insurance	720
Aviation	60

(expressed in Canadian dollars)

This estimate does reflect the time value of money. In that respect, the Company determines the discount rate based upon the expected return of investments held in the portfolio that approximates the cash flow requirements of the unpaid claims. The discount rate applied was 1% and then again at 0.5% to allow a margin for adverse deviations in the interest rate. To recognize the uncertainty inherent in determining unpaid claim amounts, the Company includes provision for PFADs relating to claim development, reinsurance recoveries and future investment income. Margins for claims development used for calculating the provision for adverse deviation range from 10% to 15% depending on the line of business.

Significant estimates used in the valuation of insurance contract liabilities are the discount rate and the expected loss ratios. A change in the discount rate by 2% or in the expected loss ratios by 10% would not have a material impact.

d) Net premiums earned for the year ended December 31 consist of:

	2013 $	2012 $
Gross premiums written	3,350,871	2,004,415
Premiums ceded	(1,127,799)	(889,222)
Increase in unearned premiums	-	(769,323)
Foreign exchange adjustment	(349,406)	282,554
Net premiums earned	1,873,666	628,424

16 Share capital and contributed surplus

a) Authorized

The Company is authorized to issue an unlimited number of common and preferred shares.

b) Common shares

The issued and outstanding common shares are as follows:

	Number of shares	Amount $
Balance, December 31, 2012	34,143,352	51,681,818
Options exercised	160,000	522,576
Balance, December 31, 2013	34,303,352	52,204,394

(expressed in Canadian dollars)

c) Stock options

	Number of options	Weighted average exercise price $
Balance, December 31, 2011	1,697,000	3.36
Cancelled - prior share based payment plan	(5,000)	(4.25)
Granted	190,000	4.00
Forfeited - current share based payment plan	(100,000)	(4.36)
December 31, 2012	1,782,000	3.40
Balance, December 31, 2012	1,782,000	3.40
Granted	475,000	4.13
Cancelled - current share based payment plan	(65,000)	4.20
Exercised	(160,000)	(1.84)
Forfeited - current share based payment plan	(75,000)	(4.21)
December 31, 2013	1,957,000	3.76

The Company has established a share based payment plan (the "Plan") to encourage ownership of its shares by key management personnel (directors and executive management), employees and other key service providers, and to provide compensation for certain services. The Plan provides for the issuance of stock options in an aggregate number of up to 10% of the Company's issued and outstanding shares, calculated from time to time. At December 31, 2013, the Company had 1,473,335 (2012 - 1,632,335) common shares available for the granting of future options under the new plan. The Company does not have any cash-settled transactions.

Pursuant to the Company's previous stock option plan, 351,428 stock options were granted to directors and officers on October 9, 2008. These options allowed the holder to acquire common shares at a price of $0.20 per share for each option exercised. Concurrent with the cancellation of the common shares of the Company on February 2, 2011, the Company also cancelled 296,430 of the stock options issued to its directors and officers. The options were fully vested and were exercisable at any time prior to their expiry on October 9, 2013.

On March 9, 2011, 600,000 options were granted to consultants of the Company. These options allow the holder to acquire common shares at a price of $1.64 per share for each option exercised. 500,000 of these options vest and become exercisable on March 9, 2014 and are exercisable up until their expiry on March 9, 2021. 100,000 of these options vest and become exercisable on March 9, 2013 up until their expiry on March 9, 2014. On May 16, 2012, the Company approved a Board resolution that allowed for 200,000 of the options to vest immediately at a modified price of $1.90 per share for each option issued.

(expressed in Canadian dollars)

On April 25, 2011, 900,000 options were granted to employees and consultants of the Company. These options allow the holder to acquire common shares at a price of $4.20 per share for each option exercised. 650,000 of these options vest in four equal annual tranches each year over four years and expire on April 25, 2016. 75,000 of these options shall vest on April 25, 2013 and expire April 25, 2014. 175,000 of these options shall vest on April 25, 2013 and expire April 25, 2016. On December 20, 2013, 300,000 of these options with an exercise price of $1.64 were modified to have an exercise price of $1.75 and the expiration date of these same options was changed to June 17, 2015.

On September 7, 2011, 175,000 options were granted to employees and consultants of the Company. These options allow the holder to acquire common shares at a price of $4.77 per share for each option exercised. 55,000 of these options vest in four equal annual tranches each year over four years and expire on September 7, 2016. 120,000 of these options shall vest and become exercisable on September 7, 2013 and expire on September 7, 2016.

On December 2, 2011, 150,000 options were granted to employees. These options allow the holder to acquire common shares at a price of $4.25 per share for each option exercised. These options vest in four equal annual tranches each year over four years and expire on December 2, 2016.

On March 23, 2012, 190,000 options were granted to employees. These options allow the holder to acquire common shares at a price of $4.00 per share for each option exercised. 170,000 of these options vest in four equal annual tranches each year over four years and expire on March 23, 2017. Of these options 20,000 shall vest and become exercisable on March 23, 2014 and expire on March 23, 2017.

On March 1, 2013, 475,000 options were granted to employees and consultants of the Company. These options allow the holder to acquire common shares at a price of $4.13 per share for each option exercised. 350,000 of these options vest over two years and expire on March 1, 2018, 125,000 of these options vested and became exercisable immediately and expire on March 1, 2016.

On December 20, 2013, the Company disposed of its investment in Mandal General Insurance resulting in the immediate vesting of 143,000 options. The options became exercisable immediately and expire on January 20, 2014. None of these options were exercised at December 31, 2013.

At year end, the Company had 1,324,500 options that were exercisable (2012 - 358,000).

(expressed in Canadian dollars)

A summary of the Company's options as at December 31 and changes during the periods then ended follows:

	December 31, 2013	Weighted average exercise price $	December 31, 2012	Weighted average exercise price $
Balance, beginning of the year	1,782,000	3.40	1,697,000	3.36
Options cancelled	(65,000)	4.20	(5,000)	4.25
Options granted	475,000	4.13	190,000	4.00
Options exercised	(160,000)	1.84	-	-
Options forfeited	(75,000)	4.21	(100,000)	4.36
Balance, end of the year	1,957,000	3.76	1,782,000	3.40
Exercisable	1,324,500	3.44	358,000	2.94
Weighted remaining average life (years)		3.55		3.84

During the period, 120,000 options were exercised at a price of $1.90 for total cash proceeds of $228,000 and 40,000 options were exercised at a price of $1.64 for total cash proceeds of $65,600.

The fair value associated with the options issued during the period was calculated using the Black-Scholes model for options valuation, assuming volatility of 90% (2012: 90%) on the underlying units, risk free interest rates of 1.21% - 1.95% and a forfeiture rate of nil based on the composition of the option holders. Share prices for the calculation were the closing price on the TSXV on the date of issue of the options. The Company has assumed the options will be exercised at the end of the term of the option.

Being a newly listed entity, the Company considered its historical share price over the last thirty-five months. However, given the lack of sufficient information on historical volatility, it also considered historical volatility of similar entities following a comparable period in their lives.

The approximate impact of an increase of 10% in the volatility assumption for the options issued in the current year would decrease net income of the Company by $51,954. The approximate impact of a decrease of 10% in the volatility assumption would increase net income of the Company by $56,843.

(expressed in Canadian dollars)

The following options were issued, outstanding and exercisable at December 31:

			Options outstanding 2013
Number outstanding	Weighted average remaining life (years)	Weighted average exercise price $	Weighted average at grant date
360,000	6.02	1.73	1.78
80,000	7.19	1.90	1.78
602,000	1.24	4.20	4.04
150,000	2.69	4.77	4.70
100,000	2.92	4.25	4.14
190,000	3.23	4.00	4.00
475,000	3.96	4.13	4.13
1,957,000	3.55	3.76	3.55

			Options outstanding 2012
Number outstanding	Weighted average remaining life (years)	Weighted average exercise price $	Weighted average at grant date
400,000	6.50	1.64	1.78
200,000	8.25	1.90	1.78
722,000	3.33	4.20	4.04
150,000	3.67	4.77	4.70
120,000	3.92	4.25	4.14
190,000	4.33	4.00	4.00
1,782,000	3.84	3.40	3.35

(expressed in Canadian dollars)

d) Restricted shares

The Company has granted restricted stock of the Company to certain individuals under the terms of the Restricted Stock Award Plan of the Company. Restrictions on such shares are removed as vesting conditions are met.

The number of restricted shares granted under the Restricted Stock Award Plan was as follows:

	2013	2012
Restricted shares outstanding - beginning of year	-	-
Granted during the year	91,179	-
Restricted shares outstanding - end of year	91,179	-

The fair value of the restricted shares granted during the 2013 year was $212,447 at the time of the grant (weighted average grant price of $2.33 per share) and was based on the market price of the Company's shares at that time.

During the 2013 year, the Company recorded net compensation expense of $2,384 for the Restricted Share Plan within the share based payment expenses.

e) Earnings per share

The following table summarizes the shares used in calculating earnings (loss) per share:

	2013 $	2012 $
Weighted average number of shares - basic	34,256,557	34,143,352
Effect of dilutive stock options	440,000	1,738,913
Weighted average number of shares - diluted	34,696,557	35,882,265

Basic earnings (loss) per share are derived by dividing net income (loss) for the year by the weighted average number of common shares outstanding for the period. The effect of potentially dilutive securities is excluded if they are anti-dilutive.

There have been no significant capital transactions from the reporting date to the date of this filing which have had a material impact on earnings per share.

(expressed in Canadian dollars)

17 Management of capital structure

The Company's objective when managing capital is to ensure the Company is capitalized in a manner which provides a strong financial position for its shareholders.

The Company's capital structure includes equity and working capital. In managing its capital structure, the Company considers future investment and acquisition opportunities, potential credit available and potential issuances of new equity. The Company's objective is to maintain a flexible capital structure that will allow it to execute its stated business. Upon acquiring investment properties and operating businesses, the Company will strive to balance its proportion of debt and equity within its capital structure in accordance with the needs of the continuing business. The Company may, from time to time, issue shares and adjust its spending to manage current and projected proportions as deemed appropriate.

The method used by the Company to monitor its capital is based on an assessment of the Company's working capital position relative to its projected obligations. At December 31, 2013, the Company's working capital was $8,538,467 (2012 - $12,554,733) and the Company had no debt.

	2013 $	2012 $
Current assets	9,416,810	15,943,758
Current liabilities	878,343	3,389,025
Working capital	8,538,467	12,554,733

18 Financial risk management

The Board of Directors ensures that management has put appropriate risk management processes in place. Through the Audit Committee, the Board oversees such risk management procedures and controls. Management provides updates to the Audit Committee on a quarterly basis with respect to risk management.

The Company is no longer exposed to risks resulting from insurance contracts and the related claims as the Company has disposed of their insurance operations effective December 20, 2013 (note 5).

(expressed in Canadian dollars)

Catastrophe risk

The Company obtained insurance on buildings and all permanent fixtures totalling approximately $27,000,000.

Credit risk

Credit risk is the risk of an unexpected financial loss to the Company if a third party fails to fulfill its performance obligations under the terms of a financial instrument. The Company's credit risk arises principally from the Company's cash and cash equivalents, investments and marketable securities and accounts receivable.

The following table summarizes the Company's maximum exposure to credit risk on the consolidated statement of financial position. The maximum credit exposure is the carrying value of the asset, net of any allowances for loss.

	2013 $	2012 $
Cash and cash equivalents	5,370,215	8,702,253
Investments and marketable securities	104	3,992,547
Amounts due from policyholders	-	222,011
Accounts receivable	3,350,564	255,628
Reinsurance assets	-	684,285
Maximum credit risk exposure on the consolidated statement of financial position	8,720,883	13,856,724

The Company's exposure to credit risk is managed through risk management policies and procedures with emphasis on the quality of the investment portfolio. For the year, most of the Company's investments consisted of institutional deposits. The majority of the funds invested are held in reputable Barbadian, Canadian or Mongolian banks. The Company is in the early stages of development and is continually improving its policies regarding monitoring its credit risk.

The Company is exposed to credit risk as an owner of real estate in that tenants may become unable to pay the contracted rents. The Company mitigates this risk by carrying out appropriate credit checks and related due diligence on the significant tenants. The Company's properties are diversified across residential and commercial classes.

Amounts due from policy holders are short-term in nature and are not subject to material credit risk.

(expressed in Canadian dollars)

Liquidity risk

Liquidity risk is the risk of having insufficient cash resources to meet financial obligations without raising funds at unfavourable rates or selling assets on a forced basis. Liquidity risk arises from the general business activities and in the course of managing the assets and liabilities. The purpose of liquidity management is to ensure that there is sufficient cash to meet all financial commitments and obligations as they fall due. The liquidity requirements of the Company's business are met primarily by funds generated from operations, liquid investments and income and other returns received on investments. Cash provided from these sources is used primarily for claims and claim adjustment expense payments and investment property operating expenses.

As at December 31, 2013, the Company does not believe the current maturity profile of the Company lends itself to any material liquidity risk, taking into account the level of cash and cash equivalents, investments and marketable securities as at December 31, 2013. The Company does not have material liabilities that can be called unexpectedly at the demand of a client.

The following table summarizes the undiscounted cash flows of financial assets and liabilities by contractual or expected maturity:

	December 31, 2013		
	One year or less $	One to two years $	No maturity date $
Financial Assets			
Cash and cash equivalents	5,370,215	-	-
Receivables	1,705,439	1,645,125	-
Investments	104	-	-
	7,075,758	1,645,125	-
Financial Liabilities			
Trade payables and accrued liabilities	874,222	-	-

(expressed in Canadian dollars)

	December 31, 2012		
	One year or less $	**One to two years $**	**No maturity date $**
Financial Assets			
Cash and cash equivalents	8,702,253	-	-
Receivables	255,628	-	-
Reinsurance assets	684,285	-	-
Investments	3,992,547	-	-
	13,634,713	-	-
Financial Liabilities			
Trade payables and accrued liabilities	996,314	-	-
Insurance contract liabilities	2,300,604	-	-
	3,296,918	-	-

Market risk

Market risk includes interest rate risk, currency risk and other price risk.

i) Interest rate risk

Interest rate risk is the potential for financial loss arising from changes in interest rates. Changes in interest rate levels generally impact the financial results to the extent that reinvestment yields are different than the original yields on fixed income securities. Changes in interest rates will affect the fair value of the fixed income securities. During periods of rising interest rates, the market value of the existing fixed income securities will generally decrease. During periods of declining interest rates the opposite is true. For investments classified as AFS, these increases and decreases in fixed income securities will result in corresponding increases and decreases in OCI until the securities are sold and any gain or loss is realized or the securities are written down to reflect an impairment loss. The primary technique for measuring interest rate risk related to fixed income securities is duration analysis.

The approximate impact of an increase of 100 basis points in interest rates would increase the net income of the Company by nil (2012 - $39,925). The approximate impact of a decrease of 100 basis points in interest rates would decrease net income of the Company by nil (2012 - $39,925).

(expressed in Canadian dollars)

ii) Currency risk

Currency risk represents the risk that the Company incurs losses due to exposure to foreign currency fluctuations. The Company owns properties and carries out related business operations in Mongolia, and is therefore subject to foreign currency fluctuations that may impact its financial position and results.

The approximate impact of an increase of 10% in the Mongolian Tögrög against the Canadian dollar would increase the OCI of the Company by $4,267,566 (2012 - $4,633,059). The approximate impact of a decrease of 10% in the Mongolian Tögrög against the Canadian dollar would decrease OCI of the Company by $4,267,566 (2012 - $4,633,059).

iii) Other price risk

Other price risk market fluctuation risk is where fluctuations in the value of equity securities affect the level and timing of recognition of gains and losses on securities held, and cause changes in realized and unrealized gains and losses. As the Company does not have any equity investments, it does not have any exposure to equity risk.

Economic risk

Mongolian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Company may be challenged by tax authorities.

Mongolian tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged by tax authorities. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Mongolian tax legislation does not provide definitive guidance in certain areas, specifically in areas such as Value added tax (VAT), corporate income tax, personal income tax and other areas. From time to time, the Company adopts interpretations of such uncertain areas that reduce the overall tax rate of the Company. As noted above, such tax positions may come under heightened scrutiny as a result of recent developments in administrative and court practices. The impact of any challenge by the tax authorities cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the entity.

The Company's management believes that its interpretation of the relevant legislation is appropriate and the Company's tax positions will be sustained. Management believes that tax risks are remote at present.

Management performs regular re-assessments of tax risk and its position may change in the future as a result of the change in conditions that cannot be anticipated with sufficient certainty at present.

(expressed in Canadian dollars)

19 Related party transactions

Parties are generally considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

On August 8, 2013, the Company loaned a member of the key management $100,000 with a fixed interest rate of 6% payable back to the Company within six months from the loan date. The loan was outstanding as at December 31, 2013 and settled subsequent to year end.

Key management personnel of the Company include all directors and executive management. The summary of compensation for key management personnel is as follows:

	2013 $	2012 $
Salaries and other short-term employee benefits	821,756	125,229
Share-based payments	341,049	456,717
	1,162,805	581,946

20 Contingent liabilities

From time to time and in the normal course of business, claims against the Company may be received. On the basis of management’s assessments and professional legal advice, management is of the opinion that no material losses will be incurred and no provision or disclosure has been made in these consolidated financial statements.

The Company indemnifies its directors and officers against any and all claims or losses reasonably incurred in the performance of their service to the Company to the extent permitted by law.

(expressed in Canadian dollars)

21 Supplementary cash flow information

	2013 $	2012 $
Changes in non-working capital arising from		
Other assets	394,083	(3,138,778)
Trade payables and accrued liabilities	107,760	151,262
Reinsurance assets	-	(691,198)
Deferred acquisition expense	-	(80,066)
Income tax payable	63,663	(33,102)
Insurance contract liabilities	-	1,989,745
Changes in non-cash working capital from operating activities	565,506	(1,802,137)

22 Segment information

The Company's operations are conducted in three reportable segments as Investment Property Operations, Insurance Operations and Corporate. The Company reports information about its operating segments based on the way management organizes and reports the segments within the organization for making operating decisions and evaluating performance.

Investment Property operations consist of commercial and residential investment property in Mongolia held for the purposes of rental revenue, capital appreciation or redevelopment. These properties are managed by Big Sky Capital LLC and its subsidiaries.

Insurance Operations includes general property and casualty insurance products in Mongolia. Insurance underwriting and claims handling functions are administered through Mandal General Insurance LLC. These operations were disposed of on December 20, 2013 (note 5).

Corporate administers financial resources and the corporate investment portfolio and is comprised of investment income, corporate costs and other activities not specific to other reportable segments and is shown separately.

(expressed in Canadian dollars)

The Company evaluates performance based on net income (loss) before income taxes.

				2013
	Investment Property $	**Insurance $**	**Corporate $**	**Total $**
Rental income	1,650,895	-	-	1,650,895
Property operating expenses	(1,398,184)	-	-	(1,398,184)
Unrealized gain on fair value adjustment on investment properties	3,845,521	-	-	3,845,521
Net premiums earned	-	1,873,666	-	1,873,666
Claims and insurance benefits incurred	-	(1,063,379)	-	(1,063,379)
Share based payment	(325,967)	(506,912)	(605,816)	(1,438,695)
Other expenses	(71,291)	(1,380,085)	(3,065,792)	(4,517,168)
Depreciation	(129,149)	(40,271)	(8,728)	(178,148)
Net investment income	237,672	543,045	1,383	782,100
Gain (loss) on disposal of investment property	(17,906)	-	-	(17,906)
Other revenue (expense)	99,691	365,564	1,001	466,256
Net income (loss) before income taxes	3,891,282	(208,372)	(3,677,952)	4,958

				2012
	Investment Property $	**Insurance $**	**Corporate $**	**Total $**
Rental income	1,572,603	-	-	1,572,603
Property operating expenses	(987,407)	-	-	(987,407)
Unrealized losses on fair value adjustment on investment properties	(2,697,212)	-	-	(2,697,212)
Net premiums earned	-	628,424	-	628,424
Claims and insurance benefits incurred	-	(1,042,387)	-	(1,042,387)
Share based payment	(643,857)	(253,168)	(470,695)	(1,367,720)
Other expenses	(275,993)	(1,001,244)	(1,610,224)	(2,887,461)
Depreciation	(127,417)	(33,849)	(9,624)	(170,890)
Net investment income	282,114	574,454	6,745	863,313
Gain on disposal of investment property	12,768	-	-	12,768
Other revenue (expense)	(19,860)	43,759	-	23,899
Net loss before income taxes	(2,884,261)	(1,084,011)	(2,083,798)	(6,052,070)

(expressed in Canadian dollars)

			2013
Balance as of December 31, 2013:	**Investment Property $**	**Corporate $**	**Total $**
Total assets	41,819,097	5,471,921	47,291,018
Property and equipment	3,893,719	21,973	3,915,692
Investment properties	32,313,391	-	32,313,391
Expenditures			
Property and equipment	129,576	2,197	131,773
Investment properties	715,915	-	715,915

				2012
Balance as of December 31,2012:	**Investment Property $**	**Insurance $**	**Corporate $**	**Total $**
Total assets	43,964,089	5,758,399	1,584,043	51,306,531
Property and equipment	4,337,876	211,250	26,905	4,576,031
Investment properties	30,786,742	-	-	30,786,742
Expenditures				
Property and equipment	318,096	113,467	2,147	433,710
Investment properties	6,896,289	-	-	6,896,289

	Revenue		**Property and equipment**		**Investment property**	
	2013 $	**2012 $**	**2013 $**	**2012 $**	**2013 $**	**2012 $**
Canada	1,001	-	21,973	26,905	-	-
Mongolia	3,919,375	2,237,694	3,893,719	4,549,127	32,313,391	30,786,742
	3,920,376	2,237,694	3,915,692	4,576,032	32,313,391	30,786,742

Revenue in Mongolia includes $2,239,230 (2012 - $672,183) from discontinued operations (note 5).

(expressed in Canadian dollars)

23 Other expenses

	2013 $	2012 $ (Restated - note 5)
Professional fees	1,866,094	1,201,459
Travel	303,038	206,315
Advertising	21,118	16,003
Land and property tax	254,404	209,501
Insurance	27,901	24,644
Utility expense	75,983	78,002
Other expenses	778,303	601,214
	3,326,841	2,337,138