



**ANNUAL INFORMATION FORM**

**December 31, 2012**

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## DEFINITIONS

Unless otherwise indicated, all of the information provided in this Annual Information Form is as at December 31, 2012 and all references to "**dollars**" and "**\$**" are to the currency of Canada.

"**ABCA**" means the *Business Corporations Act* (Alberta), and the regulations thereunder, as amended from time to time.

"**Annual Information Form**" or "**AIF**" means this annual information form dated December 31, 2012.

"**Audit Committee**" means the audit committee of the Board.

"**Big Sky**" means Big Sky Capital LLC, a wholly owned subsidiary of Mongolia Barbados.

"**Board**" means the board of directors of the Corporation.

"**CNSX**" means Canadian National Stock Exchange.

"**Common Shares**" means the common shares in the capital of the Corporation.

"**Corporation**" means Mongolia Growth Group Ltd.

"**Discounted Market Price**" means the market price less the following maximum discounts based on closing price (and subject, notwithstanding the application of any such maximum discount, to a minimum price per share of \$0.05 and a minimum exercise price per warrant or incentive stock option, as the case may be, of \$0.10):

Closing Price	Discount
up to \$0.50	25%
\$0.51 to \$2.00	20%
Above \$2.00	15%

"**FRC**" means the Financial Regulatory Commission of Mongolia.

"**House**" means the State Great Hural, the unicameral legislature of Mongolia.

"**Management**" means the senior management team of the Corporation.

"**Mandal**" means Mandal General Daatgal LLC.

"**MGGI**" means Mongolia Growth Group Inc., a private company acquired by the Corporation.

"**Mongolia Barbados**" means Mongolia (Barbados) Corp., a wholly owned subsidiary of the Corporation.

"**NEX**" means NEX, a separate board of TSXV.

"**NI 52-110**" means National Instrument 52-110.

"**Options**" means those options to purchase Common Shares granted from time to time by the Corporation.

"**OTCBB**" means the Over the Counter Bulletin Board in the United States of America.

"**Preferred Shares**" means the preferred shares in the capital of the Corporation, of which none are currently outstanding.

"**Qualifying Transaction**" has the meaning ascribed to it in the TSXV Corporate Finance Manual.

"**ReNvision Agreement**" means the legal agreement Summus entered into with ReNvision to effect a Qualifying Transaction.

"**SEDAR**" means the System for Electronic Document Analysis and retrieval, which can be accessed at [www.sedar.com](http://www.sedar.com).

"**Shareholders**" means the holders of Common Shares.

"**Summus**" means Summus Capital Corp., a former name of the Corporation.

"**Togrog**" means the official currency of Mongolia, Mongolian Togrog.

"TSXV" means the TSX Venture Exchange.

"Ulaanbaatar" means the capital city of Mongolia – Ulaanbaatar, Mongolia.

"UMC Capital" means UMC Capital LLC, a private company in Mongolia.

"UMC Group" means UMC Group LLC, a private company in Mongolia.

## FORWARD-LOOKING STATEMENTS

This Annual Information Form contains statements that, to the extent that they are not historical fact, may constitute "forward-looking information" within the meaning of applicable securities legislation. Forward-looking statements or information may include financial and other projections and are statements which reflect the current reasonable expectations and assumptions of Management regarding the future growth, results of operations, performance and business prospects and opportunities of the Corporation.

Wherever possible, words such as "may", "would", "could", "should", "will", "anticipate", "believe", "plan", "expect", "intend", "estimate", "aim", "endeavour" and similar expressions have been used to identify these forward-looking statements. These statements reflect Management's current beliefs with respect to future events and are based on information currently available to Management. Management uses forward-looking statements because it believes they provide useful information with respect to the Corporation, and cautions readers that the information may not be appropriate for other purposes and should not be read as guarantees of future performance or results. In particular, this Annual Information Form contains forward-looking statements pertaining to the following:

- delays or uncertainties with regulatory approval;
- changes in the business environment that might impact the intended use of proceeds;
- the demand for insurance services in Mongolia;
- the ability to advance the Corporation's real estate and insurance businesses;
- expected use of funds for the 12 months following listing on the Exchange;
- future ownership of Mandal and the closing of the transaction between the Corporation and UMC Capital in relation thereto;
- future supply and demand for real estate in Mongolia;
- expected returns from investment, future trends in the population of Mongolia;
- proposed business modes of the Corporation;
- competition in Mongolia;
- future economic outlook for Mongolia;
- impact of future regulatory changes on the Corporation and its competitors;
- lack of anticipated changes to the Corporation's business in the next year;
- use of future earnings;
- the operation of the Stock Option Plan;
- the adoption of an acceptable escrow agreement policy;
- executive compensation matters;
- the determination and composition of future compensation;

- the ability of the Compensation Committee to manage compensation risk;
- vesting of Options; and
- the orientation of new directors and the nomination of directors.

There are uncertainties inherent in forward-looking information, including factors beyond the Corporation's control. The Corporation undertakes no obligation to update forward-looking information if circumstances or Management's estimates or opinions should change except as required by law. The reader is cautioned not to place undue reliance on forward-looking statements.

Although the Corporation believes that the expectations reflected by the forward-looking statements presented in this Annual Information Form are reasonable, these forward-looking statements have been based on assumptions and factors concerning future events that may prove to be inaccurate. Those assumptions and factors are based on information currently available to the Corporation about itself and the businesses in which it operates. Information used in developing forward-looking statements has been acquired from various sources including third party consultants, suppliers, regulators and other sources. In some instances, material assumptions are disclosed elsewhere in this Annual Information Form in respect of forward looking statements. The material factors and assumptions used to develop the forward-looking statements include but are not limited to:

- capital requirements;
- fluctuations in the international currency markets and in the rates of exchange of the currencies of Mongolia, Canada, and the United States;
- price volatility in the spot and forward markets for commodities; changes in national and local government legislation in Mongolia, Canada, the United States and Barbados or any other country in which the Corporation currently or may in the future carry on business; taxation; controls, regulations and political or economic developments in the countries in which the Corporation does or may carry on business; competition;
- loss of key employees,
- additional funding requirements,
- stock market volatility and ability to access sufficient capital from internal and external sources;
- changes in project parameters as plans continue to be refined;
- accidents;
- labour disputes; and
- defective title to claims or property.

Forward-looking statements involve significant risks, uncertainties and assumptions. Many factors could cause actual results, performance or achievements of the Corporation to be materially different from any future results, performance or uncertainty regarding achievements that may be expressed or implied by such forward-looking statements. The Corporation is subject to changes in foreign economic, political, and social conditions. The Corporation's future interests in Mongolia are always at risk to changes in government policies that may discourage foreign investment or nationalize companies or industries. Governments may implement business and development restrictions or requirements not currently foreseen. There is no assurance that provisions under Mongolian law for compensation and reimbursement of losses to investors under such circumstances would restore the full value of the Corporation's original investment or to compensate for the loss of the future value of Mongolian projects. The Corporation's future interests in Mongolia may be affected in varying degrees by, among other things, price controls, income taxes and environmental legislation. See Item 21 "Risk Factors" for a detailed discussion of the risks faced by the Corporation.

There can be no assurance that Mongolian laws protecting foreign investments will not be amended or abolished or that existing laws will be enforced or interpreted to provide adequate protection against any or all of the risks described above.

The Corporation's operations may also be affected in varying degrees by, among other things, political, economic and social instability, economic or other sanctions imposed by other nations, terrorism, military repression, extreme fluctuations in currency exchange rates, fluctuations in markets where the Corporation invests and high inflation. The Corporation may also be negatively affected by criminal activities including, but not limited to, corruption by government and non-government persons and groups of persons including but not limited to unofficial political organizations such as local gangs or other bodies. The Corporation cannot guarantee that the Mongolian government will not implement laws, including tax laws, or policies specific to the Corporation, or specific to the industries that the Corporation operates in or is dependent upon, that may limit the Corporation's ability to operate effectively, if at all, and to diminish or eliminate profits raised, if any, in Mongolia. Any changes in regulations or shifts in political and social attitudes and conditions are beyond the control of the Corporation and may negatively affect its business interests.

The Corporation could face foreign exchange, interest rate and inflation risks. The Corporation's revenues may be paid in Mongolian Togrog and other various international currencies, and as at the date of this Annual Information Form the Corporation's working capital is in Canadian dollars, American dollars, and Mongolian Togrog. The Corporation may convert funds to foreign currencies as its payment obligations become due. Part of the Corporation's future costs will likely be incurred in Mongolian Togrog, the currency of Mongolia. The Corporation's accounts are prepared in Canadian dollars and any dividends, if paid, will be paid in Canadian dollars.

Accordingly, the Corporation is subject to inflation in those countries in which it may operate in the future and fluctuations in the rates of currency exchange between the Canadian dollar and the currencies of those countries, and such fluctuations may materially affect the Corporation's business, results of operations and financial condition. Costs related to the development, implementation and operation of the Corporation's business plans may be higher than the Corporation anticipates. Any increase in relevant interest rates will increase the amount the Corporation pays to service any debts which may be incurred, now or in the future.

In addition, new factors and risks emerge from time to time and it is not possible for the Management to predict all of such factors and to assess in advance the impact of each such factor on the Corporation or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results, performance or achievements may vary materially from those expressed or implied by the forward-looking statements contained in this Annual Information Form. These factors should be considered carefully and readers should not place undue reliance on forward-looking statements.

Although forward-looking statements contained in this Annual Information Form are based upon what the Management currently believes to be reasonable assumptions, the Corporation cannot assure prospective investors that actual results, performance or achievements will be consistent with these forward-looking statements. The forward-looking statements and information contained in this Annual Information Form are made as of the date hereof and, unless so required by applicable law, the Corporation undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise. The forward-looking statements and information contained in this Annual Information Form are expressly qualified by this cautionary statement.

## **CORPORATE STRUCTURE**

### ***Name, Address and Incorporation***

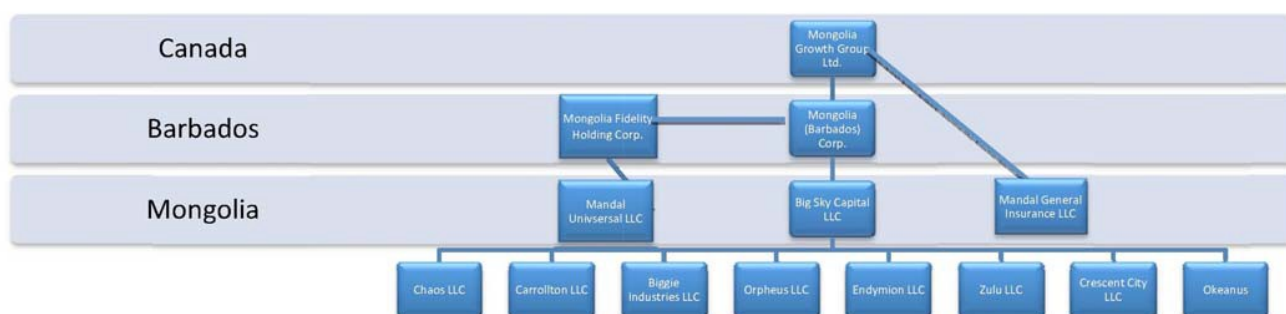
Mongolia Growth Group Ltd. (the "**Corporation**" or "**MGG**"), formerly known as Summus Capital Corp. ("**Summus**"), was incorporated under the ABCA on December 17, 2007. On February 7, 2008, the Corporation filed articles of amendment removing its private company restrictions. On February 2, 2011, Management purchased 320,500 common shares of Summus, from the then management of Summus. On February 2, 2011 the Corporation filed articles of amendment renaming Summus "Mongolia Growth Group Ltd.", cancelled all outstanding options and consolidated the common shares of Summus at a ratio of 1:2. On April 17, 2012, the Corporation filed articles of amendment allowing for meetings of Shareholders to be held at any place within Canada or the United States of America.

The Corporation is registered in Alberta, Canada, with its registered address at 1400, 700<sup>th</sup> 2nd Street SW, Calgary, Alberta, Canada. The Corporation's corporate office and principal place of business is 706 – 34 Cumberland St. N., Thunder Bay, Ontario, P7A 4L3, Canada. The Corporation also has a business office for its Mongolian operations in Sukhbaatar district, 2nd Khoroo, Seoul Street, Bld 7/2, Ulaanbaatar, Mongolia. The Corporation is a reporting issuer in Alberta, British Columbia and Ontario.

### ***Intercorporate Relationships***

The Corporation is structured as a holding company with various wholly owned subsidiaries operating in both the real estate and financial industries within the nation of Mongolia. The Corporation currently has two subsidiaries incorporated in Barbados, Mongolia Fidelity Holding Corp. and Mongolia (Barbados) Corp., that operate as holding companies for all but one of the Corporation's Mongolian subsidiaries. Mongolia Fidelity Holding Corp owns Mandal Universal, a Mongolian subsidiary which is currently inactive and is in the process of being discontinued.

Below is a diagram displaying the inter-corporate relationships among the Corporation and its subsidiaries.



#### **Mongolia (Barbados) Corp. ("Mongolia Barbados")**

- Founded February 9, 2011
- Incorporated pursuant to the laws of Barbados
- Located at Suite 100, One Financial Centre, Lowe Collymore Rock, St. Michael, Barbados
- Wholly-owned by the Corporation

#### **Big Sky Capital LLC ("Big Sky")**

- Founded February 10, 2011
- Incorporated pursuant to the laws of Mongolia
- Located at Sukhbaatar District, 2<sup>nd</sup> khoroo, 5<sup>th</sup> khoroolol, Seoul Street, Building 7/1, 5<sup>th</sup> floor Ulaanbaatar, Mongolia
- Wholly-owned by Mongolia Barbados

#### **Mongolia Fidelity Holding Corp. ("MFH")**

- Founded April 7, 2011
- Incorporated pursuant to the laws of Barbados
- Located at Suite 100, One Financial Centre, Lowe Collymore Rock, St. Micheal, Barbados
- Wholly-owned by Mongolia Barbados

#### **Mandal Universal LLC**

- Founded April 15, 2011
- Incorporated pursuant to the laws of Mongolia
- Located at Sukhbaatar District, 1<sup>st</sup> khoroo, Chinggis Avenue, New Century Plaza Ulaanbaatar, Mongolia
- Wholly-owned by MFH

#### **Mandal General Insurance LLC ("Mandal")**

- Founded April 21, 2011
- Incorporated pursuant to the laws of Mongolia
- Located at Sukhbaatar District, 2<sup>nd</sup> khoroo, 5<sup>th</sup> khoroolol, Seoul Street, Building 7/1, 5<sup>th</sup> floor Ulaanbaatar, Mongolia
- Wholly-owned by the Corporation

**Biggie Industries LLC**

- Founded April 28, 2011
- Incorporated pursuant to the laws of Mongolia
- Located at Sukhbaatar District, 2<sup>nd</sup> khoroo, 5<sup>th</sup> khoroolol, Seoul Street, Building 7/1, 5<sup>th</sup> floor Ulaanbaatar, Mongolia
- Wholly-owned by Big Sky

**Endymion LLC**

- Founded April 28, 2011
- Incorporated pursuant to the laws of Mongolia
- Located at Sukhbaatar District, 2<sup>nd</sup> khoroo, 5<sup>th</sup> khoroolol, Seoul Street, Building 7/1, 5<sup>th</sup> floor Ulaanbaatar, Mongolia
- Wholly-owned by Big Sky

**Orphius LLC**

- Founded April 28, 2011
- Incorporated pursuant to the laws of Mongolia
- Located at Sukhbaatar District, 2<sup>nd</sup> khoroo, 5<sup>th</sup> khoroolol, Seoul Street, Building 7/1, 5<sup>th</sup> floor Ulaanbaatar, Mongolia
- Wholly-owned by Big Sky

**Zulu LLC**

- Founded April 28, 2011
- Incorporated pursuant to the laws of Mongolia
- Located at Sukhbaatar District, 2<sup>nd</sup> khoroo, 5<sup>th</sup> khoroolol, Seoul Street, Building 7/1, 5<sup>th</sup> floor Ulaanbaatar, Mongolia
- Wholly-owned by Big Sky

**Crescent City LLC**

- Founded June 2, 2011
- Incorporated pursuant to the laws of Mongolia
- Located at Sukhbaatar District, 2<sup>nd</sup> khoroo, 5<sup>th</sup> khoroolol, Seoul Street, Building 7/1, 5<sup>th</sup> floor Ulaanbaatar, Mongolia
- Wholly-owned by Big Sky

**Carrolton LLC**

- Founded September 23, 2011
- Incorporated pursuant to the laws of Mongolia
- Located Sukhbaatar District, 2<sup>nd</sup> khoroo, 5<sup>th</sup> khoroolol, Seoul Street, Building 7/1, 5<sup>th</sup> floor Ulaanbaatar, Mongolia
- Wholly-owned by Big Sky

**Chaos LLC**

- Founded September 25, 2011
- Incorporated pursuant to the laws of Mongolia
- Located at Sukhbaatar District, 2<sup>nd</sup> khoroo, 5<sup>th</sup> khoroolol, Seoul Street, Building 7/1, 5<sup>th</sup> floor Ulaanbaatar, Mongolia
- Wholly-owned by Big Sky

**Okeanus LLC**

- Founded April 9, 2012
- Incorporated pursuant to the laws of Mongolia
- Located at Sukhbaatar District, 2<sup>nd</sup> khoroo, 5<sup>th</sup> khoroolol, Seoul Street, Building 7/1, 5<sup>th</sup> floor Ulaanbaatar, Mongolia
- Wholly-owned by Big Sky

**GENERAL DEVELOPMENT OF THE BUSINESS**

The Corporation is a Canadian holding company that invests in both the real estate and financial services industries in Mongolia. MGG is presently engaged in the business of: (i) the ownership of retail, office and redevelopment investment properties; (ii) the management of investment properties; (iii) the repair, construction and development of investment properties; (iv) the underwriting of property and casualty insurance risks; and (v) the sales of property and casualty insurance.

The following is a summary of the significant events in the development of the Corporation for the previous three year periods shown.



## Three Year History

### 2010

On October 19, 2010, the Corporation announced that the ReNvision Agreement was terminated due to a failure to complete the financing condition of the transaction. As a result, the Corporation did not complete a Qualifying Transaction within the time frames provided by the TSXV for capital pool companies. As such, the Corporation's shares were suspended from trading on October 22, 2010.

On September 21, 2010 at the annual general and special meeting of Shareholders, disinterested shareholders of the Corporation approved the transfer of the Corporation's listing to the NEX trading board of the TSXV and approved the cancellation of an amount of seed shares purchased by the directors and officers of the Corporation so that the average cost of the remaining seed shares was at least equal to \$0.20, the price at which the Corporation conducted its initial public offering. As a result, the Corporation cancelled 550,000 shares previously issued to directors and officers.

On October 26, 2010, the Corporation's listing on the TSXV was transferred to the NEX board of the TSXV to trade under the symbol "SS.H". Trading in the shares of the Corporation was also reinstated.

### 2011

#### *Reorganization Transaction*

On December 1, 2010, the Corporation announced the signing of an agreement whereby Harris Kupperman and Jordan Calonego planned to purchase 320,500 Common Shares of Summus on a post-consolidated basis from the founding board members of Summus (the "**Reorganization**"). The Reorganization was completed on February 2, 2011. Summus also completed the following transactions on February 2, 2011, which were approved by the disinterested Shareholders of the Corporation at the annual and special meeting of Shareholders on January 17, 2011:

1. the Corporation closed a non-brokered private placement of 12,685,452 Common Shares for aggregate gross proceeds of \$4,611,253 on a post-consolidated basis;
2. the filing of articles of amendment renaming Summus as "Mongolia Growth Group Ltd." and consolidating the common shares of Summus at a ratio of two pre-consolidation common shares for one post-consolidation Common Share;
3. the filing of an application for the de-listing of the Common Shares from the NEX and an application for the listing of the Common Shares on the CNSX; and
4. the appointment of Paulo Bilezikjian, Jordan Calonego, Bill Fleckenstein, Harris Kupperman and Paul Sweeney as the new directors.

Pursuant to a share purchase agreement, the Corporation settled all amounts owing by MGGI to Harris Kupperman and Jordan Calonego on the February 2, 2011, including all of the issued and common shares of MGGI, which were held by Mr. Calonego (the "**Mongolia Share Purchase Transaction**"). As a result of the Mongolia Share Purchase Transaction the Corporation became the sole shareholder of MGGI. Immediately thereafter, the Corporation amalgamated with MGGI.

Effective on February 2, 2011, Harris Kupperman was appointed President and Chief Executive Officer of the Corporation and Jordan Calonego was appointed Chief Operating Officer, interim Chief Financial Officer and interim Corporate Secretary of the Corporation following the resignations of Jason Krueger as President and Chief Executive Officer, Alan Withey as Vice President, Finance and Chief Financial Officer and Syd Abougoush as Corporate Secretary.

On March 9, 2011, the Corporation entered an agreement with various members of UMC Group to provide consulting services during the business formation process of founding a property and casualty business in Mongolia. Certain individuals were contracted to stay on as senior management of the future insurance company.

On April 8, 2011, the Corporation closed a non-brokered private placement of 11,257,923 Common Shares, at a price of \$1.32 per share, for aggregate gross proceeds of \$14,860,458.

On April 13, 2011, the Corporation's Common Shares began trading on the OTCBB under the symbol MNGGF.

On June 23, 2011, the Corporation closed a non-brokered private placement of 4,871,673 Common Shares, at a price of \$3.51 per Common Share, for aggregate gross proceeds of \$17,099,573.

On December 23, 2011, the Corporation closed the non-brokered private placement of 3,846,154 Common Shares, at a price of \$3.90 per Common Share, for aggregate gross proceeds of \$15,000,000.

## **2012**

On May 16, 2012, the Corporation announced that it had agreed to and signed a binding term sheet agreeing to sell shares of Mandal to UMC Capital, the operators of Mandal, at a purchase price equivalent to the Corporation's original funding cost in June 2011. A definitive sale purchase agreement was entered into on September 8, 2012. An initial deposit of US\$223,081 has been received and additional payment of approximately 686,000,000 Mongolian Togrogs is due by June 15, 2013, for total cash consideration of 998,883,000 Mongolian Togrogs. The transaction is to close upon final receipt of payment, on or before June 15, 2013. Following the closing of this transaction, UMC Capital and the Corporation will respectively own approximately 16% and 84% of Mandal's currently outstanding shares. In addition, UMC Capital will retain the right to purchase an additional 25% of Mandal at the higher of stated book value or funding cost. Regulatory approvals in Mongolia have been requested and we believe such approvals will be received in advance of the projected February 2, 2011. The regulators in Mongolia have indicated that they will aid in expediting the approval of the investment. It is a condition precedent of closing that the purchasing party obtains regulatory approval.

In addition, 200,000 of UMC Capital's ten year Options vested immediately upon the signing of the term sheet. In exchange for accelerating the vesting of these Options, the new price was changed to \$1.90 compared to the original price of \$1.64 (a 16% increase). The Corporation applied for an exemption to the stock option policies of the CNSX in order to adjust the vesting period and exercise price of the Options, and this application was approved by the CNSX.

## **2013**

On January 9, 2013, the Company's common shares were listed and posted for trading on the TSXV under the symbol YAK. In conjunction with the listing, the Company's shares were delisted from the CNSX following the market close on January 8, 2013.

## **BUSINESS OF THE CORPORATION**

### ***General***

The Corporation is an early stage real estate and financial services conglomerate focusing its operations in the emerging economy of Mongolia. The Corporation currently has two different lines of business: real estate and insurance. As of December 31, 2012, the Corporation has acquired over \$30,000,000 of investment property. The Corporation has also invested USD \$5 million in an insurance corporation, Mandal General Daatgal LLC.

Mongolia (Barbados) Corp. owns Big Sky Capital LLC, the Corporation's primary real estate subsidiary which, at December 31, 2012 held approximately \$17.9 million in assets. Big Sky also wholly owns the following eight subsidiaries, each of which have real estate operations in Mongolia and the following assets: Chaos LLC (\$1.4 million), Carrolton LLC (\$2.8 million), Biggie Industries LLC (\$9.0 million), Orpheus LLC (\$4 million), Endymion LLC (\$2.5 million), Zulu LLC (\$5.9 million), Crescent City LLC (\$0.0 – no assets) and Oceanus LLC (\$0.0 – no assets). The Corporation also directly holds Mandal, a property and casualty insurance company. See "*Corporate Structure*".

As at December 31, 2012, the Corporation, through its Mongolian operating subsidiaries, has acquired over \$30,000,000 of investment property in Ulaanbaatar, the capital of Mongolia. The Corporation has also founded Mandal General Daatgal LLC, to serve the rapidly growing insurance market in Mongolia.

### ***Securities***

The Corporation's Common Shares are currently traded in Canada on the TSXV under the symbol "YAK" and on the OTCBB under the symbol "MNGGF".

## **Property Operations**

### ***Real Estate in Mongolia***

Over time, real estate prices in Mongolia are expected to be correlated with changes in wealth and disposable income. As the Mongolian economy expands, the Corporation anticipates that real estate should be a sector that will take advantage of such trends. While the Corporation is open to attractive construction opportunities, its preference is to purchase and rent out existing properties. Management sees rental yield as a tangible metric in determining the value of a property portfolio. Importantly, existing properties produce cash flow almost immediately after being acquired. The Corporation is determined to achieve profitability and reduce funding risk. Over time, the majority of the returns from a property portfolio are created by rental appreciation, which will in turn increase property values, especially in a rapidly growing economy. The Corporation views Kazakhstan as an example of what happens to property prices when an economy grows from a low base. The Corporation likes to use Almaty, the largest city in Kazakhstan, as the template for our Mongolian investments as much of the city planning and infrastructure has a similar Soviet design. Currently, property prices in Almaty are materially higher than the prices of comparable properties in Ulaanbaatar — hence the opportunity that we see as investors in Ulaanbaatar.

### ***Real Estate Portfolio***

The Corporation is focusing its efforts on commercial real estate in the capital city of Mongolia, Ulaanbaatar. As of December 31<sup>st</sup>, 2012, the Corporation owned 40 units of residential housing, 6,114 square meters of retail space, 5,231 square meters of office space and land leases to 14,062 square meters of redevelopment opportunities.

For the year ended December 31, 2012, 17% of the Corporation's rental revenue came from residential tenants, 65% came from retail tenants, 16% came from office tenants and 2% came from redevelopment. For the month of December 2012, 8% of the Corporation's rental revenue came from residential tenants, 58% came from retail tenants, 20% came from office tenants and 11% came from redevelopment.

As of December 31<sup>st</sup>, 2012, approximately 97% of all rentable properties in the total portfolio were occupied. The Corporation currently employs two property associates responsible for renting out the Corporation's properties. Most of the Corporation's existing leases have a clause that restricts the annual rent increase to no more than 25% for the term of the lease. For this reason, and due to substantial anticipated increases in rental rates, Management has adhered to a policy of only entering into short duration leases, with varying terms.

As of December 31, 2012 the Corporation had the following lease durations:

1 year = 35.6%  
2 year = 22.8%  
3 year = 30.3%  
5 year = 11.3%

The Corporation has internal employees searching for acquisition targets, as well as relationships with numerous external property agents that look for properties to purchase. When potential acquisitions are discovered, Management has the property measured and examined by an internal property inspector. The property is analyzed, based on location (for comparable recent sales and rental rates), as well as assessed for potential redevelopment or modifications, which would lead to higher rents and justify purchase. This process is enhanced via the proprietary knowledge of the Corporation's internal research team. The property title is inspected and if all due diligence is positive, Management begins negotiations on the price. Most properties are found through word of mouth. Property agents are compensated differently depending on whether they are an employee or an external contractor. As of December 31, 2012, the Corporation had two employees searching for property acquisitions, three employees renting properties, three property accountants, five administration staff members, and fourteen support employees.

### ***Background***

Ulaanbaatar, the capital city, has a population of approximately 1.23 million people<sup>1</sup> which makes up about 43% of Mongolia's entire population. There appears to be a significant undersupply of modern housing and commercial properties in the city center of the capital. As of today, 38% of city residents are living in apartments or houses<sup>2</sup>, while the rest are

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<sup>1</sup> National Statistical Office of Mongolia, 2012 December Bulletin

<sup>2</sup> Ulaanbaatar City Development Plan 2020

living in gers, traditional Mongolian tent housing. Ulaanbaatar city is aiming to reduce the number of gers dramatically because of air pollution and smog problems. Each household in a ger burns coal as the main source of heat. The Government of Mongolia has been implementing several construction and infrastructure projects to develop a modern city and reduce air pollution. By 2020, Ulaanbaatar expects that 82% of city residents<sup>3</sup> will live in apartments. Thus, the construction industry, along with real estate businesses, will play an important role in the domestic economy in next few decades. As the economy expands, increasingly affluent Mongolians will likely demand higher standards of living. Foreigners from developed countries working in Mongolia already have high expectations, which are generally not being met at present.

### ***Plan***

The Corporation plans to focus on the city center of Ulaanbaatar in which it will purchase select new construction as well as acquire undervalued older, well-located units and renovate them. More specifically, the Corporation has been targeting two distinct districts, Sukhbaatar and Chingeltei, in which the Corporation has purchased the majority of the property in its portfolio. These two districts have been targeted by the Corporation as these districts are in the downtown core of the city and the Corporation expects these areas to be the fastest growing and most desirable property in Ulaanbaatar.

### ***Property Competition***

The real estate market in Mongolia is fragmented and highly competitive. The Corporation competes for real property acquisitions and the rental of properties with individuals, corporations, institutions and other entities that may seek real property investments similar to those we desire. An increase in competition for real property investments would increase purchase prices and reduce the yield on investing in properties. The Corporation believes that its competitive position is equivalent to that of other property investment companies of similar size and at a similar stage of development.

The Corporation faces competition from numerous businesses and individuals including:

- (i) All Mongolians that own property and offer their property for let. The Corporation also faces competition from both Mongolian and foreign property developers who are adding additional property to the market with an intention of offering their properties for let;
- (ii) Mongolia Development Resources JSC, which is the only competitor of the Corporation that is a publically held (publicly listed in Mongolia);
- (iii) Substantial Mongolian property groups which are owned by a small group of investors. Some of the largest of these groups include MCS Group, Tushig Group, Max Group, Bodi Group, Grand Group and Chono Group. In terms of institutional investors who aim to own property to collect rental revenue, to date, there are no other competitors that the Corporation is aware of;
- (iv) Numerous property funds that have been launched to allow foreign investors to invest in property in Ulaanbaatar. To date, we are not aware of that any of these property funds have raised substantial capital. To Management's knowledge the most substantial of these property funds are backed by Cube Capital, MAD Mongolia and Asian Pacific Investment Partners (APIP).

### **Insurance Operations**

#### ***Insurance in Mongolia***

On March 9, 2011, the Corporation struck a partnership with various members of UMC Group, a Mongolian management company, to provide consulting services during the business formation process of the insurance company with the intention that certain individuals would stay on as senior management of the future insurance company. On June 20, 2011, the Corporation's subsidiary announced the receipt of an insurance license from the FRC allowing the Corporation to underwrite property and casualty insurance in Mongolia. The newly formed insurance company, Mandal, was seeded with USD\$5 million.

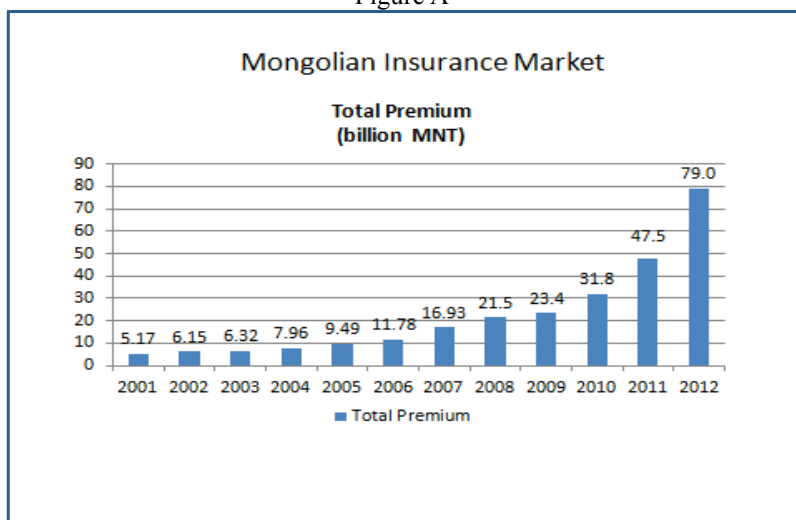
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<sup>3</sup> Ulaanbaatar City Development Plan 2020

## **Background**

The Corporation believes that the current insurance market in Mongolia is under-served and some Mongolian insurers make it difficult to collect on claims. There are currently 18 licensed insurance companies operating in the country. While the total insurance premium in Mongolia has been increasing in recent years (see Figure A), the premium to GDP ratio is still only approximately 0.7%, compared to six to eight percent in some developed markets.<sup>4</sup> However, Mongolia is expected by experts to be the fastest growing economy in the world in coming years which opens the doors of opportunity.<sup>5</sup>

Figure A <sup>6</sup>



## **Plan**

The Corporation's goal is to build a reliable insurer that is capitalized for all possible claims.

## **Insurance Competition**

As previously noted, there are 18 insurance companies in Mongolia, the largest of these being Mongol Daatgal, Bodi Daatgal, Tenger Daatgal and MIG Daatgal, ranked based on revenue. Mongol Daatgal has been in existence for over 75 years and has achieved wide geographic coverage in the country. However, since the insurance industry was privatized in 2004, Mongol Daatgal's market share has declined as other insurance companies have emerged in the market.

One of the larger up and coming insurance companies Management considers MGG's competition is Bodi Daatgal, which has a large and talented work force. It also has strategic ownership from Bodi Group, a large business group in Mongolia which includes 13 subsidiary companies and six joint ventures. Bodi Group employs over fourteen hundred workers and is continually growing.

The insurance market is highly regulated in Mongolia but these regulations are antiquated in nature and not directly related to risks that the insurers incur or claims that are estimated or incurred. Management believes that any changes that are enacted will be favourable to Mandal at the disfavour of its competition as Management believes Mandal is one of the least leveraged insurers in Mongolia, mainly due to its start-up nature and capitalization.

Recently the government of Mongolia passed a law limiting investment into strategic business sectors by foreign firms. Insurance was one such sector. Management believes the new requirement that a governing body outside of the FRC must approve foreign investment in the financial services industry of ownership greater than 15%, and the further requirement that the House approve any foreign ownership of greater than 50% will limit future investment in the industry. The Corporation is grandfathered into the insurance industry and as such, Management believes it is one of the only permitted insurers able to expand with foreign capital.

<sup>4</sup> FRC

<sup>5</sup> International Monetary Fund

<sup>6</sup> FRC

With the recent privatization of the insurance industry, a continuing threat is the continued entrance of small insurance companies. To help combat this threat, the Corporation's focus over the next five years will be to establish and grow a loyal customer base that will help to stabilize our premiums. Doing so will help to strengthen the Corporation's competitive position as it will be difficult for the competition to attract these customers. The Corporation understands the importance of educating its clientele and investing in branding its name, which are two of its main goals over the coming years.

In an effort to develop the "Mandal" brand in financial services, the Corporation has hosted media events, hosted a risk forum, the President of Mandal has made numerous TV appearances, Mandal has opened retail branches and has begun a high profile outdoor, TV and radio advertising campaign explaining the benefits of insurance and related risk management.

### ***Specialized Skill and Knowledge***

Management has extensive experience in investing in various industries and sectors around the world. In addition, members of Management have participated in all facets of the Corporation's business in prior employment. The Management team of the insurance subsidiary of the Corporation are all of Mongolian background and have all had extensive experience in both the insurance underwriting industry and general financial services. The Corporation has hired over 90 Mongolians of which five are considered to be members of management and four are considered to be members of senior management. These Mongolian employees provide insight tailored to the Mongolian market and specialized knowledge of Mongolian business practices. This has been helpful to the Corporation the founding members of Management of the Corporation do not have Mongolian background, or speak the Mongolian language.

### ***Insight Tailored to the Market***

Mongolian property acquisitions have all been completed without a multiple-listing service or a property agency model, which is prevalent in most markets worldwide, including almost all developing markets. The property acquisition team has a unique ability to find, contract and close properties for acquisitions in a short time frame. Management has determined that most of this success is a result of a local perspective, unique negotiating ability and a thorough understanding of the local culture.

Within Mandal General Daatgal LLC many insurance lines, especially in personal lines of business, are of a low severity, high frequency nature. The cultural dissimilarity with China, Russia or western culture makes for a very confused foreign perspective and understanding. In more externally marketed products, such as larger commercial lines of business, managers at Mandal have experience in working with foreign owned companies and offering risk solutions that such customers want, in an environment that in many ways is new to such lines of business or risk abatement procedures in Mongolia.

### ***Specialized Knowledge Respecting Mongolian Business Practices***

Management believes that the uniqueness of the local culture makes it both difficult for foreigners to operate in Mongolia, without local help, and provides an advantage to firms that operate in a hands-on manner. Mongolian business practices in the construction and renovation industries are unique because that industry is so new. Practices in the purchase, sale and leasing of properties are also very early in the development cycle given; many transactions relating to properties are still conducted with cash.

### ***Employees***

As of the date of this AIF, the Corporation employs 98 employees of which 90 are Mongolian nationals. None of the Corporation's employees are covered by unions or collective bargaining agreements. MGG's relationships with its employees are excellent, evidenced by low employee turnover, and to the best of the Corporation's knowledge it is in compliance with all applicable Mongolian employment laws.

### ***Foreign Operations***

All of the Corporation's operations are in foreign jurisdictions. International operations are subject to political, economic and other uncertainties, including but not limited to, risk of terrorist activities, revolution, border disputes, expropriation, renegotiations or modification of existing contracts, taxation policies, including tax increases and retroactive tax claims, exchange controls, currency fluctuations, labour disputes and other uncertainties arising out of foreign government sovereignty over the Corporation's international operations. The Corporation's operations may also be adversely affected by applicable laws and policies of Mongolia, the effect of which could have a negative impact on the Corporation.

### *Seasonality*

The business environment in Mongolia exhibits seasonality. Business activity slows during part of the summer due to the traditional holiday of Naadam and the desire of many Mongolians to spend more time in the countryside with their families. Property business activity also slows down during the harshest of the winter season due to the extreme cold, which limits new construction, tenants moving, and general business activity. National holidays on and around the Mongolian New Year, as well as informal holidays at Christmas, Western New Year and seasonal parties also severely slow down business activity in Mongolia.

### *Changes in the Corporation's Business*

The Corporation does not expect to make significant changes to its business within the next year.

## **DESCRIPTION OF SHARE CAPITAL**

The authorized capital of the Corporation consists of an unlimited number of Common Shares and an unlimited number of preferred shares. The Corporation's Articles have been filed on SEDAR at [www.sedar.com](http://www.sedar.com).

### *Common Shares*

At May 31, 2013, there were 34,283,352 Common Shares of the Corporation issued and outstanding. All Common Shares have been issued as fully paid and non-assessable. The holders of Common Shares are entitled to dividends if, as and when declared by the Board, to one vote per Common Share at any meeting of the shareholders of the Corporation and, upon liquidation, to receive all assets of the Corporation as are distributable to the holders of Common Shares.

### *Preferred Shares*

There are currently no issued or outstanding Preferred Shares of the Corporation.

### *Dividends*

The Corporation has not declared or paid any dividends on the Common Shares. Any decision to pay dividends on such shares in the future will be made by its Board on the basis of the Corporation's earnings, financial requirements and other conditions existing at such future time. It is the current intention of the Corporation not to pay any dividends in the near future.

## **MARKET FOR SECURITIES**

### *Trading Price and Volume*

The Common Shares have been listed and posted for trading on the TSVX since January 9, 2013 under the trading symbol "YAK". The following table sets out the price range for, and trading volume of, the Common Shares as reported by the TSXV for the periods indicated:

	Trading Price		Volume Traded
	High	Low	# of shares
April 2013	3.88	3.02	540,915
March 2013	4.09	3.60	136,949
February 2013	4.28	3.91	229,981
January 9-31, 2013	4.50	3.80	548,631

Prior to listing on the TSXV the Common Shares were listed and posted for trading on the CNSX for calendar 2012 until marketplace close on January 8, 2013, under the trading symbol "YAK". The following table sets out the price range for, and trading volume of, the Common Shares as reported by the CNSX for the periods indicated:

	Trading Price		Volume Traded
	High	Low	# of shares
January 1-8, 2013	3.95	3.80	120,425
December 2012	3.90	3.46	254,619
November 2012	3.85	3.56	296,973
October 2012	3.89	3.51	162,758
September 2012	3.90	3.38	131,869
August 2012	3.77	3.25	296,485
July 2012	3.89	3.54	397,074
June 2012	4.05	3.72	237,697
May 2012	4.25	3.41	315,862
April 2012	4.65	3.85	425,304
March 2012	4.23	3.73	414,817
February 2012	4.35	4.05	285,100
January 2012	4.24	3.90	494,778

### PRIOR SALES

The following table summarizes the issuances of Common Shares or securities convertible into Common Shares in the financial year ended December 31, 2012.

Date of Issuance	Securities	Number of Securities	Price per Security
March 23, 2012	Stock Options	190,000	\$4.00

The following table summarizes the Common Shares or securities convertible into Common Shares outstanding December 31, 2012.

Outstanding as at December 31, 2012	Number of Securities
Common Shares	34,143,325
Options to buy Common Shares	1,782,000

### ESCROWED SECURITIES

The following table sets forth the number of securities of each class of securities of the Corporation held, to the knowledge of the Corporation, in escrow or that are subject to a contractual restriction on transfer, and the percentage that number represents of the outstanding securities of that class as at May 31, 2013. Escrowed securities are considered any securities held by principals of the Corporation. In addition, certain securities issued for nominal value must be escrowed regardless of whether such securities are held by principals of the Corporation.

Designation of Class	Number of securities held in escrow or that are subject to a contractual restriction on transfer <sup>(1)</sup>	Percentage of Class
34,283,352 Common Shares	7,291,875 Common Shares	21.3%
2,217,000 Options	296,250 Options	13.4%

**Note:**

(1) *As of May 31, 2013, 7,291,875 Common Shares and 296,250 Options held by principals of the Corporation were subject to escrow restrictions in connection with the Company's listing on the TSXV. 2,430,625 shares and 98,750 options will be released from Escrow on July 9<sup>th</sup> 2013, a further 2,430,625 shares and 98,750 options will be released on January 9<sup>th</sup> 2014, and the remaining 2,430,625 shares and 98,750 options will be released on July 9<sup>th</sup> 2014. Olympia Trust Company has been contracted by the Company to provide escrow agency services.*



## DIRECTORS AND OFFICERS OF THE CORPORATION

The name, municipality of residence and principal occupation for the last five years of each of the directors and executive officers of the Corporation as of May 31, 2013 are as follows:

Name, Place of Residence and Position Held with the Corporation	Principal Occupation for the Past Five Years	Date First Appointed as an Officer / Director <sup>(7)</sup>	Common Shares Held	Number of Options	% of total Common Shares held <sup>(6)</sup>
<b>Harris Kupperman</b> President, Chief Executive Officer and Chairman  Miami, FL, USA	President and CEO of the Corporation since February 2011 and President of Praetorian Capital, a hedge fund based in Miami Beach, Florida since 2003.	February 2, 2011	5,250,000	0	15.36%
<b>Jordan Calonego<sup>(1)</sup></b> Corporate Secretary, Chief Operating Officer and Director  Thunder Bay, ON, Canada	Chief Operating Officer of the Corporation since February 2011, Corporate Secretary of the Corporation since December 2012, Equities Analyst at Exponent Investment Management since June 2011 and Corporate Secretary of CalNor Thunder Bay since 2000.	February 2, 2011.	1,962,700 <sup>(4)</sup>	0	5.74%
<b>Matthew Aiken</b> Chief Financial Officer  Thunder Bay, ON, Canada	Chief Financial Officer of the Corporation since May 2011. Prior to this date, Mr. Aiken was an Audit Manager at BDO Canada.	May 16, 2011	10,000	325,000	0.03%
<b>Bill Fleckenstein<sup>(1)(2)(3)</sup></b> Director  Seattle, WA, USA	President of Fleckenstein Capital since 1996. <i>(Fleckenstein Capital is an investment partnership)</i>	February 2, 2011	2,625,000 <sup>(5)</sup>	0	7.68%
<b>Paul Sweeney<sup>(1)(2)(3)</sup></b> Director  Vancouver, BC, Canada	Independent business consultant since May 2011. Commercial Advisor and Senior Executive for Plutonic Power Corp. from January 2007 to May 2011.	February 2, 2011	735,000	0	2.15%
<b>Byambaa Losolsuren</b> Director  Ulaanbaatar, Mongolia	Sr. Economist at UMC Capital since 2010. Investment Officer at the Asian Development Bank from 2008 to 2010. Consultant to the Financial Regulatory Commission of Mongolia from 2006 to 2008.	April 25, 2011	0	75,000	0%
<b>John M. Shaw</b> Director  Denver, Colorado, USA	President of McWhinney Real Estate Services, Inc. from 2009 to Present. Senior Vice President/General Manager of Opus Northwest, LLC Denver Colorado from 1995 – 2009.	January 17, 2013	0	75,000	0%

### Notes:

- (1) Member of the Audit Committee of the Corporation. See "Audit Committee".
- (2) Member of the Compensation Committee of the Corporation.
- (3) Member of the Nominating and Corporate Governance Committee of the Corporation.
- (4) 100,000 of Mr. Calonego's Common Shares are indirectly held by the Russell Calonego Family Trust.
- (5) 1,700,000 of Mr. Fleckenstein's Common Shares are controlled through Fleckenstein Partners Fund, LP. Mr. Fleckenstein is the sole shareholder of Fleckenstein Capital LLC, the private company which is the General Partner of Fleckenstein Partners Fund, LP. Mr. Fleckenstein owns approximately 25% of the units of Fleckenstein Partners Fund, LP.
- (6) As at May 31, 2012, the directors and executive officers of the Corporation, as a group, beneficially owned, directly or indirectly, or exercised control or direction over 10,582,700 Common Shares, constituting approximately 30.9% of the issued and outstanding Common Shares.
- (7) Each director's term expires at the close of the next annual meeting of the shareholders of the Corporation, unless re-elected.

### ***Orders***

To the knowledge of Management of the Corporation, other than as disclosed herein, no director or executive officer is, as at the date hereof, or was within 10 years before the of this annual information form a director, chief executive officer or chief financial officer of any company (including the Corporation) that:

- (a) was subject to an order that was issued while the director or executive officer was acting in capacity as director, chief executive officer or chief financial officer;
- (b) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

For the purposes hereof, "order" means (a) a cease trade order, (b) an order similar to a cease trade order, or (c) an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days.

### ***Bankruptcies***

To the knowledge of Management of the Corporation, no director or executive officer of the Corporation, or a shareholder holding a sufficient number of securities of the Corporation to affect materially the control thereof:

- (a) is, as at the date of this Annual Information Form or has been within the 10 years before the date hereof, a director or executive officer of any company (including the Corporation) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (b) has, within the 10 years before the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

### ***Penalties and Sanctions***

To the knowledge of Management of the Corporation, no director or executive officer or shareholder holding a sufficient number of Common Shares to affect materially the control of the Corporation, has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

### ***Conflicts of Interest***

To the knowledge of the Corporation none of the directors or officer of the Corporation, has or has had any material interest in any transaction since the commencement of the Corporation's most recently completed financial year or in any proposed transactions which has materially affected or would materially affect the Corporation.

There are potential conflicts of interest to which the directors and officers of the Corporation will be subject in connection with the operations of the Corporation. Conflicts, if any, will be subject to the procedures and remedies available under the ABCA. The ABCA provides that in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided by the ABCA. In addition, the directors and officers are required to act honestly and in good faith with a view to the best interests of the Corporation. Certain of the directors of the Corporation have either other employment or other business or time restrictions placed on them and accordingly, these directors of the Corporation will only be able to devote part of their time to the affairs of the Corporation.

## AUDIT COMMITTEE

The purpose of the Corporation's audit committee is to provide assistance to the Board in fulfilling its legal and fiduciary obligations with respect to matters involving the accounting, auditing, financial reporting, internal control and legal compliance functions of the Corporation and its subsidiaries. It is the objective of the audit committee to maintain a free and open means of communications among the Board, the independent auditors and the senior management of the Corporation.

The full text of the audit committee's charter is attached hereto as Appendix "A" and forms part of this Annual Information Form.

### *Composition of the Audit Committee*

NI 52-110 provides that a member of the Audit Committee is independent if the member has no direct or indirect material relationship with the Corporation. A material relationship means a relationship which could, in the view of the Board of Directors, reasonably interfere with the exercise of a member's independent judgment.

NI 52-110 further provides that a member of the Audit Committee is considered financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the corporation.

The audit committee is comprised of, Bill Fleckenstein, Paul Sweeney and Jordan Calonego. Paulo Bilezikjian was a member of the audit committee until his resignation from the Board on March 4, 2013. Mr. Sweeney is the chairman of the audit committee. Mr. Fleckenstein and Mr. Sweeney are independent within the meaning of section 1.4 of NI 52-110. Mr. Calonego is not independent as he is an officer of the Corporation. Each of the members is financially literate within the meaning of section 1.6 of NI 52-110.

### *Relevant Education and Experience*

<b>Name and Place of Residence</b>	<b>Independent</b>	<b>Financially Literate</b>	<b>Relevant Education and Experience</b>
Paul Sweeney Surrey, BC, Canada	Yes	Yes	Mr. Sweeney is an independent business consultant. Since 2011 he has been a consultant to a number of companies in the resource sector, and prior to that a commercial advisor for Plutonic Power Corporation, an independent power producer. He was an independent business and financial consultant from 2005 to 2007, after having served, among other roles, as Chief Financial Officer for both Canico Resource Corp. (acquired by Vale) and Sutton Resources (acquired by Barrick Gold). Mr. Sweeney currently sits on the Boards of Tahoe Resources Inc, where he serves as Chairman of the Audit Committee, and Polaris Minerals Corp.
Bill Fleckenstein Seattle, WA, USA	Yes	Yes	Mr. Fleckenstein is President of Fleckenstein Capital, a money management firm based in Seattle. From 1997 to 2012, he was a Director for Pan American Silver Corp, serving as the Lead Director from 2000 to 2012. Mr. Fleckenstein's work experience has helped him to achieve a high level of understanding of preparing, auditing, analyzing and evaluating financial statements. Mr. Fleckenstein is financially literate and familiar with public company financial statements and the accounting principles used in reading and preparing financial statements.
Jordan Calonego, CFA Thunder Bay, ON, Canada	No	Yes	Mr. Calonego is an Equity Analyst at Exponent Investment Management, a money management firm based in Ottawa, Canada. He has been a Director of Mongolia Growth Group Ltd since 2011. Mr. Calonego's work experience has helped

<b>Name and Place of Residence</b>	<b>Independent</b>	<b>Financially Literate</b>	<b>Relevant Education and Experience</b>
			him to achieve a high level of understanding of preparing, analyzing and evaluating financial statements. Mr. Calonego is financially literate and familiar with public company financial statements and the accounting principles used in reading and preparing financial statements. He graduated from the University of Ottawa with an HBCom, majoring in Finance, and is a CFA Charterholder.

### ***Audit Committee Oversight***

Since the commencement of the Corporation's most recently completed financial year, the Board has not failed to adopt a recommendation of the Audit Committee to nominate or compensate an external auditor.

### ***Pre-Approval Policies and Procedures***

The Audit Committee has not adopted specific policies and procedures for the engagement of non-audit services but all such services will be subject to prior approval of the Audit Committee.

### ***External Auditor Services Fees***

The aggregate fees billed by the Corporation's auditors for the years ended December 31, 2012 and December 31, 2011 are as follows:

<b>Financial Period</b>	<b>Audit Fees</b>	<b>Audit-Related Fees</b>	<b>Tax Fees</b>	<b>All Other Fees</b>
Year ended December 31, 2012	\$426,758	\$42,914	\$73,184	\$147,485
Year ended December 31, 2011	\$467,512	\$38,051	\$57,681	\$1,659

#### **Notes:**

- (1) *"Audit Fees" include fees necessary to perform the annual audit of the Corporation's financial statements. Audit Fees include fees for review of tax provisions and for accounting consultations on matters reflected in the financial statements. Audit Fees also include audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.*
- (2) *"Audit-Related Fees" include services that are traditionally performed by the auditor. These audit-related services include quarterly reviews of the financial statements, employee benefit audits, due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.*
- (3) *"Tax Fees" include fees for all tax services other than those included in "Audit Fees" and "Audit-Related Fees". This category includes fees for tax compliance, tax planning and tax advice. Tax planning and tax advice includes assistance with tax audits and appeals, tax advice related to mergers and acquisitions, and requests for rulings or technical advice from tax authorities.*
- (4) *"All Other Fees" include all other non-audit services.*

## **RISK FACTORS**

The holding of securities in the Corporation should be considered highly speculative due to the nature of the Corporation's business and the present stage of its development. The following is a summary of certain risk factors relating to the activities of the Corporation and the ownership of the Corporation's securities. Investors should carefully consider the risk factors set out below and consider all information contained herein and in the Corporation's other public filings before making an investment decision relating to the Corporation's securities.

### **BUSINESS AND FINANCIAL CONDITION RISKS**

#### ***Substantial Capital Requirements***

The Corporation's current capital and other existing financial resources may not be sufficient to enable it to execute the current business plan. The Corporation may not have funds sufficient for any initial investments the Corporation might want to undertake. Currently, the Corporation is generating only limited revenues. The Corporation will require additional capital to continue to operate its business beyond the initial phase. The Corporation may be unable to obtain the additional

capital required. Furthermore, inability to obtain capital may damage its reputation and credibility with industry participants in the event the Corporation cannot close any previously agreed upon transactions.

The Corporation will require additional capital in the near term and the Corporation plans to pursue sources of such capital through various financing transactions or arrangements, including joint venturing of projects, debt financing, equity financing or other means. The Corporation may not be successful in locating suitable financing transactions in the time period required or at all, and the Corporation may not obtain the capital it requires by other means. Although improving considerably, the turmoil in the world capital markets over the past couple of years has made it difficult for companies to raise funds. If the Corporation does succeed in raising additional capital, the capital received may not be sufficient to fund its operations going forward without obtaining further, additional capital financing. Furthermore, future financings are likely to be dilutive to the Corporation's shareholders, as the Corporation is likely to issue additional Common Shares or other equity to investors in future financing transactions. In addition, debt and other mezzanine financing may involve a pledge of assets and may be senior to interests of equity holders. The Corporation may incur substantial costs in pursuing future capital financing, including investment banking fees, legal fees, accounting fees, securities law compliance fees, printing and distribution expenses and other costs. The Corporation may also be required to recognize non-cash expenses in connection with certain securities the Corporation may issue, such as convertibles and warrants, which will adversely impact its financial results.

### ***Growth Management***

The Corporation's strategy envisions building and expanding its current business. If the Corporation fails to effectively manage its growth, its financial results could be adversely affected. Growth may place a strain on management systems and resources. To continue to refine and expand the Corporation's business development capabilities, systems and processes, and access to financing sources the Corporation may hire, train, supervise and manage new employees. The Corporation cannot assure investors that the Corporation will be able to:

- expand our systems effectively or efficiently or in a timely manner;
- optimally allocate our human resources;
- identify and hire qualified employees or retain valued employees; or
- incorporate effectively the components of any business that the Corporation may acquire in its effort to achieve growth.

If the Corporation is unable to manage its growth and operations, its financial results could be adversely affected by inefficiency, which could diminish profitability.

### ***An active market for our Common Shares may not continue.***

There currently is a limited public market for the Corporation's Common Shares. Further, although the Corporation's Common Shares are currently quoted on the OTCBB and trade on the TSXV, trading of our Common Shares may be sporadic. As a result, an investor may find it difficult to dispose of, or to obtain accurate quotations of the price of the Common Shares. This may severely limit the liquidity of the Corporation's Common Shares, and would likely have a material adverse effect on the market price of the Corporation's Common Shares and the Corporation's ability to raise additional capital.

### ***If securities analysts do not initiate coverage or continue to cover our Common Shares or publish unfavourable research or reports about our business, this may have a negative impact on the market price of our Common Shares.***

The trading market for our Common Shares may be affected by, among other things, the research and reports that securities analysts publish about our business and the Corporation. The Corporation does not have any control over these analysts. There is no guarantee that securities analysts will cover our Common Shares. If securities analysts do not cover our Common Shares, the lack of research coverage may adversely affect MGG's market price. If the Corporation is covered by securities analysts, and our stock is the subject of an unfavourable report, our stock price and trading volume would likely decline. If one or more of these analysts ceases to cover the Corporation or fails to publish regular reports on the Corporation, the Corporation could lose visibility in the financial markets, which could cause our stock price or trading volume to decline.

***Shareholders may experience dilution of ownership interests because of the future issuance of additional Common Shares.***

In the future, the Corporation may issue our authorized but previously unissued equity securities, resulting in the dilution of the ownership interests of present Shareholders and the purchasers of the Common Shares. The Corporation is authorized to issue an unlimited number of Common Shares and an unlimited number of Preferred Shares with preferences and rights to be determined by the Board. As at December 31, 2012, there were 34,143,352 Common Shares and nil Preferred Shares issued and outstanding. Also at December 31, 2012, the Corporation had 1,782,000 Options outstanding. The Corporation may also issue additional Common Shares or other securities that are convertible into or exercisable for Common Shares in connection with hiring or retaining employees, future acquisitions, future sales of its securities for capital raising purposes, or for other business purposes. The future issuance of any such additional Common Shares may create downward pressure on the trading price of the Common Shares. The Corporation will need to raise additional capital in the near future to meet our working capital needs and there can be no assurance that the Corporation will not be required to issue additional shares, warrants or other convertible securities in the future in conjunction with these capital raising efforts. The issuance of certain securities shall not be lower than the Discounted Market Price.

***The Corporation does not anticipate dividends to be paid on our Common Shares, and investors may lose the entire amount of their investment.***

Cash dividends have never been declared or paid on our Common Shares, and the Corporation does not anticipate such a declaration or payment for the foreseeable future. The Corporation expects to use future earnings, if any, to fund business growth. Therefore, Shareholders will not receive any funds absent a sale of their shares. The Corporation cannot assure Shareholders of a positive return on their investment when they sell their shares, nor can the Corporation assure that Shareholders will not lose the entire amount of their investment.

**RISKS RELATING TO THE COUNTRIES IN WHICH THE CORPORATION PLANS TO OPERATE IN**

***The Corporation may not be able to operate in Mongolia.***

The Corporation may face economic barriers that effectively prohibit it from continuing effective operations in Mongolia. These barriers may include, among other things, exorbitant business, license and operating fees relating to the start-up and continuing operation of the Corporation's business interests.

***The Corporation is subject to the changes in foreign economic, political, and social conditions.***

The Corporation's future interests in Mongolia are always at risk to changes in government policies that may be aimed at discouraging foreign investment or to nationalize companies or industries. Governments may implement business and development restrictions or requirements not currently foreseen. There is no assurance that provisions under Mongolian law for compensation and reimbursement of losses to investors under such circumstance would be effective to restore the full value of the Corporation's original investment or to compensate for the loss of the future value of Mongolian projects. The Corporation's future interests in Mongolia may be affected in varying degrees by, among other things, price controls, income taxes and environmental legislation. There can be no assurance that Mongolian laws protecting foreign investments will not be amended or abolished or that existing laws will be enforced or interpreted to provide adequate protection against any or all of the risks described above.

The Corporation's operations may also be affected in varying degrees by, among other things, political, economic and social instability, economic or other sanctions imposed by other nations, terrorism, military repression, extreme fluctuations in currency exchange rates and high inflation.

The Corporation may also be negatively affected by criminal activities including but not limited to corruption by government and non-government persons and groups of persons including but not limited to unofficial political organizations such as local gangs or other bodies.

The Corporation cannot guarantee that the Mongolian government will not implement laws, including tax laws, or policies specific to the Corporation, or specific to the industries that the Corporation operates in or is dependent upon, that may limit the Corporation's ability to operate effectively, if at all, and to remove any of the profits raised, if any, from Mongolia.

Any changes in regulations or shifts in political and social attitudes and conditions are beyond the control of the Corporation and may negatively affect its business interests.

***Foreign subsidiaries and repatriation of earnings.***

The Corporation operates through Mongolian subsidiaries. Accordingly, any limitation on the transfer of cash or other assets between the parent corporation and such entities, or among such entities, could restrict the Corporation's ability to fund its operations efficiently. Any such limitations, or the perception that such limitations may exist now or in the future, could have an adverse impact on the Corporation's valuation and stock price. There is no assurance that Mongolia, or any other foreign country in which the Corporation may operate in the future will not impose restrictions on the repatriation of earnings to foreign entities or additional taxes.

Mongolian regulations require the State Administration of Exchange Control to approve the remittance of certain types of income out of Mongolia. The Corporation, therefore, may be unable to repatriate its earnings. If the Corporation is unable to repatriate its earnings from Mongolia, it may lose its investment.

Mongolian regulations provide that, subject to payment of applicable taxes, foreign investors may remit out of Mongolia, in foreign exchange, profits or dividends derived from a source within Mongolia. Remittance by foreign investors of any other amounts (including, for instance, proceeds of sale arising from a disposal by a foreign investor of any of his investment in Mongolia) out of Mongolia is subject to the approval of the State Administration of Exchange Control or its local branch office. No assurance can be given that such approval would be granted if the Corporation disposes of all or part of its interest in its Mongolia projects. Further, there can be no assurance that additional restrictions on the repatriation of earnings in Mongolia will not be imposed in the future.

***The Corporation may or may not have political risk insurance.***

From time to time, the Corporation may assess the costs and benefits of obtaining or maintaining political risk insurance covering future investments in Mongolia. At any time the Corporation may choose not to obtain such insurance. Furthermore, there can be no assurance that such insurance would be available at any time or that particular losses that the Corporation may suffer with respect to its investment in Mongolia will be covered by the insurance.

***The Corporation could face foreign exchange, interest rate and inflation risks.***

The Corporation's revenues may be paid in various international currencies. The Corporation may convert funds to foreign currencies as its payment obligations become due. Part of the Corporation's future costs will likely be incurred in the currency of Mongolia. The Corporation's accounts are prepared in Canadian dollars and dividends, if paid, will be paid in Canadian dollars. Accordingly, the Corporation is subject to inflation in the countries in which it may operate in the future and fluctuations in the rates of currency exchange between the Canadian dollar and these currencies, and such fluctuations may materially affect the Corporation's business, results of operations and financial condition.

Consequently, costs related to the development, implementation and operation of the Corporation's business plans may be higher than the Corporation anticipates. Any increase in relevant interest rates will increase the amount the Corporation pays to service any debts which may be incurred, now or in the future.

Interpretation and application of the laws and regulations of the countries in which the Corporation operates can be uncertain and could adversely affect the Corporation.

Some of the jurisdictions in which the Corporation intends to operate may have less developed legal systems than more established economies which may result in risks such as:

- (i) effective legal redress in the courts of such jurisdictions, whether in respect of a breach of law or regulation, or, in an ownership dispute, being more difficult to obtain;
- (ii) a higher degree of discretion on the part of governmental authorities;
- (iii) the lack of judicial or administrative guidance in interpreting applicable rules and regulations;

- (iv) inconsistencies or conflicts between and within various laws (including tax laws), regulations, decrees, orders and resolutions; and/or
- (v) relative inexperience of the judiciary and courts in such matters.

Enforcement of laws in some of the jurisdictions in which the Corporation may operate could depend on and be subject to the interpretation placed upon such laws by the relevant local authority, and such authority may adopt an interpretation of an aspect of local law which differs from the advice that has been given to the Corporation. There can be no assurance that contracts, joint ventures, licences, licence applications or other legal arrangements will not be adversely affected by the actions of government authorities and the effectiveness of and enforcement of such arrangements in these jurisdictions.

In certain jurisdictions, the commitment of local businesses, government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be more uncertain and may be susceptible to revision or cancellation, and legal redress may be uncertain or delayed.

***The Corporation must comply with the regulatory regimes of the countries in which it operates, and such compliance may result in increased expenditure or decreased revenues.***

The Corporation may be subject to various government laws and regulations. There can be no assurance that the actions of present or future governments in Canada and Mongolia, or of governments of other countries in which the Corporation may operate in the future, will not materially adversely affect the business and financial condition of the Corporation.

***Management of the Corporation may reside outside of Canada.***

In the event that Management of the Corporation resides outside of Canada or the Corporation engages in commercial relationships with foreign entities, investors may find it difficult or impossible to effect service or notice to commence legal proceedings upon any Management resident outside of Canada or upon the foreign entity and may find it difficult or impossible to enforce against such persons or entities, judgments obtained in Canadian courts.

### ***Corruption***

The Corporation is governed by the laws of multiple jurisdictions, which generally prohibit bribery and other forms of corruption. It is possible that the Corporation, or some of its employees or contractors, could be charged with bribery or corruption. The Corporation has policies and procedures in place that prohibit activities such as these and requires all employees and contractors to read these policies and procedures and acknowledge their understanding and compliance on an annual basis. However, if the Corporation is found guilty of such a violation, which could include a failure to take effective steps to prevent or address corruption by its employees or contractors, the Corporation could be subject to onerous penalties. A mere investigation itself could lead to significant corporate disruption, high legal costs and forced settlements (such as the imposition of an internal monitor). In addition, bribery allegations or bribery or corruption convictions could impair the Corporation's ability to work with governments or nongovernmental organizations. Such convictions or allegations could result in the formal exclusion of the Corporation from a country or area, national or international lawsuits, government sanctions or fines, project suspension or delays, reduced market capitalization and increased investor concern.

### ***Dependence on External Factors***

During the last fifteen months the Corporation has purchased apartment units in a knowingly condemned building with the intent that through control of the homeowner's association the Corporation can procure a lease on the land underlying the building. The process of exerting control over a homeowner's association in order to develop the underlying land-plot is an extensive and complicated legal process lacking precedent and is a generally risky proposition. The total investment at cost in this one apartment building at December 31, 2012 was \$4,391,473. As at December 31, 2012, the Corporation owned 48 of the 51 apartments in the building, but has yet to formally take control of the homeowner's association.

## **RISKS RELATING TO THE COMMON SHARES**

***Uncertainties exist as to the market price and liquidity of the Common Shares.***

There can be no assurance that an active and liquid market for the Corporation's Common Shares will develop and an investor may find it difficult to resell its Common Shares.



***The controlling shareholder(s) of the Corporation will exercise significant control over the affairs of the Corporation.***

A small number of shareholders hold a majority of the Common Shares. As at the date of this Annual Information Form, the Corporation's officers, directors, principal shareholders and their affiliates beneficially own or control, directly or indirectly, approximately 10,582,700 Common Shares, which in the aggregate represents approximately 31% of the Corporation's outstanding Common Shares. As a result, if some or all of these shareholders act together, they will have the ability to control certain matters submitted to the Corporation's shareholders for approval, including amendments to the Corporation's Notice of Articles and Articles and the approval of any business combination. This may delay or prevent an acquisition of the Corporation. These shareholders may have interests that differ from those of other shareholders.

As a result of any or all of the above risk factors, this offering is only suitable to investors who are willing to rely solely on Management of the Corporation and who can afford to lose their entire investment and those investors who are not prepared to do so should not invest in these securities.

***The Corporation may be subject to risks relating to global financial developments.***

Global financial markets experienced a sharp increase in volatility beginning in 2008. This has been, in part, the result of the revaluation of assets on the balance sheets of international financial institutions and related securities contributing to a reduction in liquidity among financial institutions and a reduction in the availability of credit to those institutions and to the issuers who borrow from them. While central banks and governments continue attempts to restore liquidity to the global economy, no assurance can be given that the combined impact of the significant revaluations and constraints on the availability of credit will not continue to materially and adversely affect economies around the world. Some or all of these economies may experience significantly diminished growth and some or all may suffer a recession the duration of which cannot be predicted. These market conditions and unexpected volatility or illiquidity in financial markets may also adversely affect the prospects of the Corporation. A substantial decline in the North American equities markets could be expected to have a negative effect on the Corporation and the market price of the Common Shares.

## **RISKS RELATING TO THE BUSINESS OF THE CORPORATION**

***The Corporation is subject to certain risks related to the nature of the Corporation's business and its present stage and speed of development.***

There are numerous factors which may affect the success of the Corporation's business which are beyond the Corporation's control, including local, national and international economic, legal and political conditions. The Corporation's future business may involve a high degree of risk which a combination of experience, knowledge and careful evaluation may not overcome. Current or future operations of the Corporation in developing countries expose the Corporation to, among other things, political and currency risks.

***The loss of any of the Corporation's executive officers could have an adverse impact on its business.***

The Corporation is highly dependent upon its executive officers, and the success of the Corporation will be largely dependent upon the performance of such officers. In particular, the Corporation's President, Chief Executive Officer and Chairman, Harris Kupperman is central to the future development of the business of the Corporation. At present Harris Kupperman is not covered by key-man life insurance policies and there are no plans to obtain such policies. In assessing the risk of an investment in the Corporation, potential investors should recognize that they are relying on the ability and integrity of the management of the Corporation. Further, potential investors should understand that the directors and officers of the Corporation, or other persons who in the future may work for or with the Corporation, may not devote all of their time to the activities of the Corporation.

***Economic and geopolitical uncertainty may negatively affect the Corporation.***

The market for any of the Corporation's future products and/or services depends on economic and geopolitical conditions affecting the broader market. Economic conditions are beyond the Corporation's control. In addition, acts of terrorism and the outbreak of hostilities and armed conflicts between countries can create geopolitical uncertainties that may affect the global economy. Downturns in the economy or geopolitical uncertainties may cause potential future customers to delay or cancel projects, reduce their overall capital or operating budgets, reduce or cancel insurance coverage, reduce rental space requirements, cancel leases, or in other ways negatively impact the Corporation's business, results of operations and financial condition.

***The Corporation's operations may be subject to potential losses that may not be covered by insurance.***

The Corporation may or may not be insured against potential risks related to its future operations, and there can be no assurance that such insurance will be adequate to cover any losses or exposure for liability. The occurrence of a significant unfavourable event not fully covered by insurance, or not honored by the company's insurer or re-insurer, could have a material adverse effect on the Corporation's financial condition, results of operations or cash flows, as could a situation where the Corporation is covered by a policy, but the insurer does not pay the claim. Furthermore, the Corporation cannot predict whether insurance will be available in the future at reasonable cost or at all.

***The Corporation's interests may be negatively affected by a force majeure or natural event beyond the Corporation's control.***

The Corporation may be negatively affected by the occurrence of natural events that happen in the places of the Corporation's business interests and abroad. Such events include but are not limited to earthquakes, floods, fire, plague and other natural disasters that are beyond the Corporation's control. There can be no assurance that the Corporation can effectively insure against these risks at a reasonable cost, if at all, or that the Corporation will be fully indemnified by any such insurance in the event that such risks materialize.

***The Corporation could be subject to labour or other unplanned production disruptions.***

The Corporation may rely on staff, contractors, sub-contractors and other agents in the procurement, production, design, construction or delivery of products and/or services to market. If there is a material disagreement between the Corporation and any of these individuals, or groups of these individuals, the Corporation's operations could suffer an interruption that could have a material adverse effect on the Corporation's business, results of operations and financial condition.

***Future litigation could adversely affect the Corporation's business, results of operations and financial condition.***

From time to time, the Corporation may be subject to litigation arising out of its operations. Damages claimed under such litigation may be material or may be indeterminate, and the outcome or process of such litigation may materially impact the Corporation's business, results of operations and financial condition. While the Corporation will assess the merits of each lawsuit and defend itself accordingly, it may be required to incur significant expense or devote significant resources to defending itself against such litigation. In addition, the adverse publicity surrounding any such claims may have a material adverse effect on the Corporation's business, results of operations and financial condition.

***The Corporation has a limited operating history.***

The Corporation has a limited operating history. As such, the Corporation has no reliable history through which to gain the experience necessary to successfully execute future business plans or meet future contractual obligations. The limited operating history makes an evaluation of the risks associated with continued operations difficult and forecasting and planning conducted by management of the Corporation may inaccurately predict future operating conditions, which could have a material adverse effect on the Corporation's business, results of operations and financial condition.

***The Corporation has limited cash flow and an absence of profits.***

The Corporation has limited cash flow and has failed to demonstrate a history of profitable operations. The Corporation may not be successful in improving its cash flow or demonstrating profitable operations, which would be deleterious to the Corporation's business, results of operations and financial condition. There is no assurance that the Corporation will be capable of consistently producing positive cash flows.

***Capital markets are volatile.***

Securities markets throughout the world are cyclical and, over time, tend to undergo high levels of price and volume volatility, particularly those with interests in emerging markets. The market price of securities of many companies can experience wide fluctuations which are not necessarily related to the operating performance, underlying asset value or prospects of such companies. Increased levels of volatility and resulting market turmoil could adversely affect the market price of the Corporation's securities.

## **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

### ***Legal Proceedings***

To the knowledge of the Management of the Corporation, there are no outstanding legal proceedings material to the Corporation to which the Corporation is a party or in respect of which any of its properties are subject, nor are there any such proceedings known to be contemplated.

### ***Regulatory Actions***

To the knowledge of Management of the Corporation, no penalties or sanctions have been imposed by a court relating to securities legislation or by a securities regulatory body or by any other court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision, nor have any settlement agreements been entered into by the Corporation with a court relating to securities legislation or with a securities regulatory authority during the most recently completed financial year.

## **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Except for Harris Kupperman, who holds 15.36% of the Common Shares of the Corporation, to the knowledge of Management there are no material interests, direct or indirect, of any of the directors or executive officers of the Corporation, any person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10% of any class or series of outstanding voting securities of the Corporation or any associate or affiliate of such persons or companies in any transaction during the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect the Corporation.

## **TRANSFER AGENT AND REGISTRAR**

The transfer agent and registrar for the Common Shares is Olympia Trust Company at its principal office located at 2300, 125 – 9<sup>th</sup> Avenue SE, Calgary, Alberta T2G 0P6.

## **MATERIAL CONTRACTS**

The Corporation did not enter into any material contracts outside the ordinary course of business within the most recently completed financial year or prior thereto that are still in effect.

## **INTERESTS OF EXPERTS**

PricewaterhouseCoopers LLP has confirmed that it is independent of the Corporation in accordance with the relevant rules and related interpretation prescribed by the Institute of Chartered Accountants of Alberta.

Cushman and Wakefield prepared the investment property valuation report for the Corporation's annual financial statements as at and for the year ended December 31, 2012. Cushman and Wakefield is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

## **ADDITIONAL INFORMATION**

Additional information relating to the Corporation may be found on SEDAR at [www.sedar.com](http://www.sedar.com). Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities and securities authorized for issuance under equity compensation plans, if applicable, is contained in the Corporation's information circular dated May 3, 2013. Additional financial information will be provided in the Corporation's consolidated financial statements and MD&A for the year ended December 31, 2012.

## **APPENDIX "A"**

### **AUDIT COMMITTEE**

#### **MANDATE AND TERMS OF REFERENCE**

Our Audit Committee Charter outlines the specific roles and duties of the Committee's members.

#### **GENERAL FUNCTIONS, AUTHORITY, AND ROLE**

The Audit Committee is a Committee of the Board of Directors appointed to assist the Board in monitoring (1) the integrity of the financial statements of the Corporation, (2) compliance by the Corporation with legal and regulatory requirements related to financial reporting, (3) qualifications, independence and performance of the Corporation's independent auditors, and (4) performance of the Corporation's internal controls and financial reporting process.

The Audit Committee has the power to conduct or authorize investigations into any matters within its scope of responsibilities, with full access to all books, records, facilities and personnel of the Corporation, its auditors and its legal advisors. In connection with such investigations or otherwise in the course of fulfilling its responsibilities under this charter, the Audit Committee has the authority to independently retain special legal, accounting, or other consultants to advise it, and may request any officer or employee of the Corporation, its independent legal counsel or independent auditor to attend a meeting of the Audit Committee or to meet with any members of, or consultants to, the Audit Committee. The Audit Committee also has the power to create specific sub-committees with all of the investigative powers described above.

The Corporation's independent auditor is ultimately accountable to the Board of Directors and to the Audit Committee; and the Board of Directors and Audit Committee, as representatives of the Corporation's shareholders, have the ultimate authority and responsibility to evaluate the independent auditor, and to nominate annually the independent auditor to be proposed for shareholder approval, and to determine appropriate compensation for the independent auditor. In the course of fulfilling its specific responsibilities hereunder, the Audit Committee must maintain free and open communication between the Corporation's independent auditors, Board of Directors and management. The responsibilities of a member of the Audit Committee are in addition to such member's duties as a member of the Board of Directors.

While the Audit Committee has the responsibilities and powers set forth in this charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Corporation's financial statements are complete, accurate, and in accordance with generally accepted accounting principles. This is the responsibility of management and the independent auditor. Nor is it the duty of the Audit Committee to conduct investigations, to resolve disagreements, if any, between management and the independent auditor (other than disagreements regarding financial reporting), or to assure compliance with laws and regulations or the Corporation's own policies.

#### **MEMBERSHIP**

The membership of the Audit Committee will be as follows:

- The Committee will consist of a minimum of three members of the Board of Directors, appointed annually, the majority of whom is affirmatively confirmed as independent by the Board of Directors, with such affirmation disclosed in the Corporation's annual security holder materials.
- The Board will elect, by a majority vote, one member as chairperson.
- A member of the Audit Committee may not, other than in his or her capacity as a member of the Audit Committee, the Board of Directors, or any other Board Committee, accept any consulting, advisory, or other compensatory fee from the Corporation, and may not be an affiliated person of the Corporation or any subsidiary thereof.

#### **RESPONSIBILITIES**

The responsibilities of the Audit Committee shall be as follows:

##### **1. Frequency of Meetings**

- Meet annually or as often as may be deemed necessary or appropriate in its judgment, either in person or by teleconference.

- Meet with the independent auditor at least annually, either in person or telephonically.
2. **Reporting Responsibilities**
- Provide to the Board of Directors proper Committee minutes.
  - Report Committee actions to the Board of Directors with such recommendations as the Committee may deem appropriate.
  - Provide a report for the Corporation's Annual Information Circular.
3. **Charter Evaluation**
- Annually review and reassess the adequacy of this Charter and recommend any proposed changes to the Board of Directors for approval.
4. **Whistleblower Mechanisms**
- Adopt and review annually a mechanism through which employees and others can directly and anonymously contact the Audit Committee with concerns about accounting and auditing matters. The mechanism must include procedures for responding to, and keeping of records of, any such expressions of concern.
5. **Independent Auditor**
- Nominate annually the independent auditor to be proposed for shareholder approval.
  - Approve the compensation of the independent auditor, and evaluate the performance of the independent auditor.
  - Establish policies and procedures for the engagement of the independent auditor to provide non-audit services.
  - Ensure that the independent auditor is not engaged for any activities not allowed by any of the Canadian provincial securities commissions, the SEC or any securities exchange on which the Corporation's shares are traded.
  - Ensure that the auditors are not engaged for any of the following nine types of non-audit services contemporaneous with the audit:
    - bookkeeping or other services related to accounting records or financial statements of the Corporation;
    - financial information systems design and implementation;
    - appraisal or valuation services, fairness opinions, or contributions-in-kind reports;
    - actuarial services;
    - internal audit outsourcing services;
    - any management or human resources function;
    - broker, dealer, investment advisor, or investment banking services;
    - legal services; and
    - expert services related to the auditing service.
6. **Hiring Practices**
- Ensure that no senior officer who is, or in the past full year has been, affiliated with or employed by a present or former auditor of the Corporation or an affiliate, is hired by the Corporation until at least one full year after the end of either the affiliation or the auditing relationship.
7. **Independence Test**
- Take reasonable steps to confirm the independence of the independent auditor, which shall include:

- insuring receipt from the independent auditor of a formal written statement delineating all relationships between the independent auditor and the Corporation, consistent with the Independence Standards Board Standard No. 1 and related Canadian regulatory body standards;
- considering and discussing with the independent auditor any relationships or services, including non-audit services, that may impact the objectivity and independence of the independent auditor; and
- as necessary, taking, or recommending that the Board of Directors take, appropriate action to oversee the independence of the independent auditor.

8. **Audit Committee Meetings**

- At the request of the independent auditor, convene a meeting of the Audit Committee to consider matters the auditor believes should be brought to the attention of the Board or shareholders.
- Keep minutes of its meetings and report to the Board for approval of any actions taken or recommendations made.

9. **Restrictions**

- Ensure no restrictions are placed by management on the scope of the auditors' review and examination of the Corporation's accounts.
- Ensure that no officer or director attempts to fraudulently influence, coerce, manipulate or mislead any accountant engaged in auditing of the Corporation's financial statements.

**AUDIT AND REVIEW PROCESS AND RESULTS**

10. **Scope**

- Consider, in consultation with the independent auditor, the audit scope and plan of the independent auditor.

11. **Review Process and Results**

- Consider and review with the independent auditor the matters required to be discussed by Statement on Auditing Standards No. 61, as the same may be modified or supplemented from time to time.
- Review and discuss with management and the independent auditor at the completion of the annual examination:
  - the Corporation's audited financial statements and related notes;
  - the Corporation's MD&A and news releases related to financial results;
  - the independent auditor's audit of the financial statements and its report thereon;
  - any significant changes required in the independent auditor's audit plan;
  - any non-GAAP related financial information;
  - any serious difficulties or disputes with management encountered during the course of the audit; and
  - other matters related to the conduct of the audit, which are to be communicated to the Audit Committee under generally accepted auditing standards.
- Review, discuss with management and approve annual and interim quarterly financial statements prior to public disclosure.
- Review and discuss with management and the independent auditor the adequacy of the Corporation's internal controls that management and the Board of Directors have established and the effectiveness of those systems, and inquire of management and the independent auditor about significant financial risks or exposures and the steps management has taken to minimize such risks to the Corporation.

- Meet separately with the independent auditor and management, as necessary or appropriate, to discuss any matters that the Audit Committee or any of these groups believe should be discussed privately with the Audit Committee.
- Review and discuss with management and the independent auditor the accounting policies which may be viewed as critical, including all alternative treatments for financial information within generally accepted accounting principles that have been discussed with management, and review and discuss any significant changes in the accounting policies of the Corporation and industry accounting and regulatory financial reporting proposals that may have a significant impact on the Corporation's financial reports.
- Review with management and the independent auditor the effect of regulatory and accounting initiatives as well as off-balance sheet structures, if any, on the Corporation's financial statements.
- Review with management and the independent auditor any correspondence with regulators or governmental agencies and any employee complaints or published reports which raise material issues regarding the Corporation's financial statements or accounting policies.
- Review with the Corporation's General Counsel legal matters that may have a material impact on the financial statements, the Corporation's financial compliance policies and any material reports or inquiries received from regulators or governmental agencies related to financial matters.

#### **SECURITIES REGULATORY FILINGS**

- Review filings with the Canadian provincial securities commissions and other published documents containing the Corporation's financial statements.
- Review, with management and the independent auditor, prior to filing with regulatory bodies, the interim quarterly financial reports (including related notes and MD&A) at the completion of any review engagement or other examination. The designated financial expert of the Audit Committee may represent the entire Audit Committee for purposes of this review.

#### **RISK ASSESSMENT**

- Meet periodically with management to review the Corporation's major financial risk exposures and the steps management has taken to monitor and control such exposures.
- Assess risk areas and policies to manage risk including, without limitation, environmental risk, insurance coverage and other areas as determined by the Board of Directors from time to time.

#### **AMENDMENTS TO AUDIT COMMITTEE CHARTER**

- Annually review this Charter and propose amendments to be ratified by a simple majority of the Board.