Mongolia Growth Group Ltd.

Condensed Interim Consolidated Financial Statements
(Unaudited)
For the three months ended
March 31, 2013 and 2012
(expressed in Canadian dollars)

Mongolia Growth Group Ltd.

Condensed Interim Consolidated Statements of Financial Position
(Unaudited)

(expressed in Canadian dollars)

	March 31, 2013 $	December 31, 2012 $
Assets		
Current assets		
Cash and cash equivalents	6,863,433	8,702,253
Investments and marketable securities	3,961,423	3,992,547
Other assets	3,195,265	2,471,498
Reinsurance assets	857,873	684,285
Deferred acquisition expenses	83,210	93,175
	14,961,204	15,943,758
Non-current assets		
Investment properties (note 5)	33,260,289	30,786,742
Property and equipment (note 6)	4,637,618	4,576,031
Total assets	52,859,111	51,306,531
Liabilities		
Current liabilities		
Trade payables and accrued liabilities	1,154,261	996,314
Income taxes payable	106,633	92,107
Insurance contract liabilities	2,544,441	2,300,604
	3,805,335	3,389,025
Non-current liabilities		
Deferred income tax liability	732,285	613,946
Total liabilities	4,537,620	4,002,971
Equity (note 7)		
Share capital	51,785,395	51,681,818
Contributed surplus	3,794,492	3,214,195
Accumulated other comprehensive loss	(2,130,216)	(2,528,607)
Retained deficit	(5,128,180)	(5,063,846)
Total equity	48,321,491	47,303,560
Total equity and liabilities	52,859,111	51,306,531

Approved by the Board of Directors

____Signed "Bill Fleckenstein"______________ Director ____Signed "Paul Sweeney"_______________ Director

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

Mongolia Growth Group Ltd.

Condensed Interim Consolidated Statement of Operations

(Unaudited)

For the three month period ended March 31, 2013 and 2012

(expressed in Canadian dollars)

	March 31, 2013 $	March 31, 2012 $
Revenue		
Net premiums earned	342,117	71,983
Rental income	414,385	383,104
Other revenue	19,974	14,795
Total revenue	776,476	469,882
Expenses		
Salaries and wages	391,779	193,306
Other expenses (note 12)	1,013,684	642,718
Share based payment	626,874	390,199
Depreciation	45,870	17,343
Financing charges	-	14,767
Total expense	2,078,207	1,258,333
Net investment income	253,147	138,502
Unrealized gain on fair value adjustment on investment properties (note 5)	1,136,125	-
Net income (loss) before income taxes	87,541	(649,949)
Provision for income taxes	(151,875)	-
Net loss for the period	(64,334)	(649,949)
Net loss per share		
Basic	(0.00)	(0.02)
Diluted	(0.00)	(0.02)

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

Mongolia Growth Group Ltd.

Condensed Interim Consolidated Statement of Comprehensive Income (Loss)

(Unaudited)

For the three month period ended March 31, 2013 and 2012

(expressed in Canadian dollars)

	March 31, 2013 $	March 31, 2012 $
Net loss for the period	(64,334)	(649,949)
Other comprehensive loss - net of taxes		
Unrealized gains on translation of financial statement operations with Mongolian MNT functional currency to Canadian dollar reporting currency	398,391	438,743
Total comprehensive income (loss)	334,057	(211,206)

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

Mongolia Growth Group Ltd.

Condensed Interim Consolidated Statement of Changes in Equity

(Unaudited)

For the three month period ended March 31, 2013 and 2012

(expressed in Canadian dollars)

	Share capital $	Contributed surplus $	Accumulated other comprehensive income $	Retained earnings (deficit) $	Total $
Balance at January 1, 2012	51,681,818	1,846,475	(1,241,437)	1,009,904	53,296,760
Net loss for the period	-	-	-	(649,949)	(649,949)
Other comprehensive income	-	-	438,743	-	438,743
	51,681,818	1,846,475	(802,694)	359,955	53,085,554
Share based payment	-	390,199	-	-	390,199
Balance at March 31, 2012	51,681,818	2,236,674	(802,694)	359,955	53,475,753

	Share capital $	Contributed surplus $	Accumulated other comprehensive loss $	Retained earnings (deficit) $	Total $
Balance at January 1, 2013	51,681,818	3,214,195	(2,528,607)	(5,063,846)	47,303,560
Net loss for the period	-	-	-	(64,334)	(64,334)
Other comprehensive income	-	-	398,391	-	398,391
	51,681,818	3,214,195	(2,130,216)	(5,128,180)	47,637,617
Share capital issued	103,577	(46,577)	-	-	57,000
Share based payment	-	626,874	-	-	626,874
Share issue costs	-	-	-	-	-
Balance at March 31, 2013	51,785,395	3,794,492	(2,130,216)	(5,128,180)	48,321,491

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

Mongolia Growth Group Ltd.

Condensed Interim Consolidated Statement of Cash Flows

(Unaudited)

For the three month period ended March 31, 2013 and 2012

(expressed in Canadian dollars)

	March 31, 2013 $	March 31, 2012 $
Cash provided by (used in)		
Operating activities		
Net loss for the period	(64,334)	(649,949)
Items not affecting cash		
Depreciation of property and equipment	45,870	17,343
Share based payment	626,874	390,199
Deferred taxes	118,339	-
Realized gain on disposal of investment properties (note 5)	(2,515)	-
Unrealized gain on fair value adjustment on investment properties (note 5)	(1,136,125)	-
	(411,891)	(242,407)
Net change in non-cash working capital balances (note 10)	(463,857)	(1,037,455)
	(875,748)	(1,279,862)
Financing activities		
Proceeds from share issuance	57,000	-
	57,000	-
Investing activities		
Purchase of investments	(108,843)	(912,476)
Disposition of investments	168,185	-
Net acquisition of property and equipment (note 6)	(77,221)	(55,184)
Net acquisition of investment properties (note 5)	(1,082,584)	(3,244,406)
	(1,100,463)	(4,212,066)
Effect of exchange rates on cash	80,391	(193,605)
Decrease in cash and cash equivalents	(1,838,820)	(5,685,533)
Cash and cash equivalents - Beginning of period	8,702,253	20,078,948
Cash and cash equivalents - End of period	6,863,433	14,393,415

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

(expressed in Canadian dollars)

1 Corporate information

The accompanying unaudited condensed interim consolidated financial statements are of Mongolia Growth Group Ltd. (the Company). The Company is registered in Alberta, Canada, with its Head Office at its registered address at 1400, 700-2nd Street W, Calgary, Alberta, Canada. The Company is domiciled out of the Company's corporate office and principal place of business which is located at 706 - 34 Cumberland St. N., Thunder Bay, Ontario, P7A 4L3, Canada. The Company also has a business office for the Mongolian investment property and insurance companies in the Mandal Building on Seoul Street, across from the Russian Embassy, Ulaanbaatar, Mongolia.

The Company is organized into three business units based on the business operations:

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

- Mandal General Insurance LLC offers insurance products in Mongolia covering all common general insurance types. The Company's main lines of business are motor insurance, including voluntary motor third party liability, property, accident medical and travel and liability insurance;

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

- The Company's property division experiences a little bit of seasonality with higher turnovers of rental contracts in the spring, summer and fall months. Due to the harsh winters experienced in Mongolia, tenants typically do not move or change locations as much as they would in the other seasons.

2 Basis of presentation

These unaudited condensed interim consolidated financial statements for the period ending March 31, 2013 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) applicable to the preparation of interim financial statements, including IAS 34 Interim Financial Reporting. The condensed interim consolidated financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2012, which have been prepared in accordance with IFRS as issued by the IASB.

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

These condensed interim consolidated financial statements were approved by the Board of Directors of the Company for issue on May 29, 2013.

(expressed in Canadian dollars)

3 Significant accounting policies

These financial statements are based on the accounting policies consistent with those disclosed in note 3 of the 2012 annual consolidated financial statements except for the adoption of new standards and interpretations effective as of January 1, 2013. The Company has applied for the first time IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, and IFRS 13 Fair Value Measurement. The adoption of these standards had no material impact on the condensed interim unaudited consolidated financial statements.

a) Accounting standards and amendments issued but not yet adopted

The following is an overview of accounting standard changes that the Company will be required to adopt in future years. Except as noted for IFRS 7, IFRS 9 and IAS 1, the standards are applicable for periods beginning on or after January 1, 2013 with earlier adoption permitted.

IFRS 7 - "Financial Instruments: Disclosures"

IFRS 7 was amended by the IASB in October 2010, and requires entities to provide the disclosures for all transferred financial assets that are not recognized and for a continuing involvement in a transferred financial asset, existing at the reporting date, irrespective of when the related transfers transaction occurred. The amendment is effective for annual periods beginning on or after January 1, 2012. IFRS 7 was further amended by the IASB in December 2011. The amendment requires entities to provide disclosures related to offsetting financial assets and liabilities. The amendment is effective for annual periods beginning on or after January 1, 2014.

IFRS 9 - "Financial Instruments"

IFRS 9 was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 "Financial Instruments: Recognition and Measurement" for debt instruments with a new model only having two categories: amortized cost and fair value. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at FVTPL or at fair value through OCI. Where such equity instruments are measured at fair value through OCI that do not clearly represent a return of investment, the dividends are recognized in net income (loss) under net investment income; however, other gains and losses associated with such instruments remain in AOCI indefinitely.

Requirements for financial liabilities were added in October 2010 which largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at FVTPL would generally be recorded in OCI.

The IASB recently issued an amendment to this standard that delays the effective date from accounting periods beginning on or after January 1, 2013 to January 1, 2015. The amendment also modifies the relief from restating prior periods. As part of this relief, the IASB published an amendment to IFRS 7 to require

(expressed in Canadian dollars)

additional disclosure on transition from IAS 39 to IFRS 9. The Company continues to monitor developments in this area.

IAS 1 - "Presentation of Financial Statements"

IAS 1 was amended in 2011 to require earnings (loss) and OCI to be presented together either as a single statement of comprehensive income or separate income statement and statement of comprehensive income. The amendments also requires presentation of OCI based on whether or not the balance may subsequently be reclassified to net income, with the tax associated with each type of OCI based on whether or not the balance may subsequently be reclassified to net income (loss), with the tax associated with each type of OCI balance to be presented separately. IAS 1 amendments are to be applied for annual periods beginning on or after July 1, 2012 with earlier adoption permitted. The impact of the adoption of this standard on the components of the financial statements cannot be reasonably estimated at this time.

IAS 32 - "Financial Instruments Presentation"

In December 2011, the IASB amended IAS 32 "Financial Instruments: Presentation" clarifying the requirements for offsetting financial assets and financial liabilities. Currently, IAS 32 requires an entity to offset a financial asset and financial liability only when the entity currently has a legally enforceable right to offset and intends to settle on a net basis or realize the asset and settle the liability simultaneously. The amendment clarifies that the right of offset must be available today and legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency, or bankruptcy. The amended disclosures require more extensive disclosure than are currently required under IFRS. The disclosures focus on quantitative information regarding financial instruments that are offset in the statement of financial position, as well as financial instruments that are subject to master netting or similar arrangements whether they are offset or not. Changes to IAS 32 are retrospectively applied with an effective date of annual periods beginning on or after January 1, 2014.

4 Significant accounting estimates and judgements

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

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

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

(expressed in Canadian dollars)

- Fair value of investment properties - The estimate of fair value of investment properties is the most critical accounting estimate to the Company. An external appraiser estimates the fair value of the majority of investment properties annually. The fair value of investment properties is based on the nature, location and condition of the specific asset. The fair value of investment properties represents an estimate of the price that would be made in an arm's length transaction between knowledgeable, willing parties. The Company operates in the emerging real estate market of Mongolia, which given its current economic, political and industry conditions, gives rise to an increased inherent risk given the lack of reliable and comparable market information. The significant estimates underlying the fair value determination are disclosed in note 10 of the annual financial statements for the year ended December 31, 2012. Changes in assumptions about these factors could materially affect the carrying value of investment properties.

- Valuation of insurance contract liabilities - The estimate of the ultimate liability arising from claims made under insurance contracts is another critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. The ultimate cost of claims liabilities is estimated by using a range of standard actuarial claims projection techniques in accordance with Canadian accepted actuarial practice. Further information on methodology of the calculation and assumptions involved in estimating insurance contract liabilities including sensitivity analysis are disclosed in note 14 of the annual financial statements for the year ended December 31, 2012.

- Accuracy of share based compensation expense - The estimate of the ultimate expense arising from share based compensation plans is another critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the share based compensation expense recorded by the Company. The ultimate expense is estimated by using a number of key assumptions such as the expected volatility of the share price, the dividends expected on the shares, the risk-free interest rate for the expected life of the option and future forfeiture rates. Further information on key assumptions including sensitivity analysis is included in note 15 of the annual financial statements for the year ended December 31, 2012.

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

(expressed in Canadian dollars)

5 Investment properties

	March 31, 2013 $	December 31, 2012 $
Balance - beginning of period	30,786,742	26,166,286
Additions		
Acquisitions	1,036,215	8,190,935
Capital expenditures	84,297	374,890
Transfer from property and equipment	-	140,251
Disposals	(37,928)	(1,656,768)
Unrealized fair value adjustment	1,136,125	(1,490,336)
Foreign exchange adjustments	254,838	(938,516)
Balance - end of period	33,260,289	30,786,742

As of March 31, 2013, included in investment properties are investment properties actively being marketed for sale that are to be disposed without redevelopment with a fair value of $743,545 (December 31, 2012 - $775,559).

The proceeds from the sale of investment properties were $40,443. The assets and liabilities associated with the properties were derecognized and a gain on sale of investment property in the amount of $2,515 was recorded.

During the period ending March 31, 2013, the Company completed renovations on one of its investment properties which was purchased in the prior year but was not available for use at December 31, 2012 as the building was still under renovations. At year end this property was recorded at cost in the Company's annual consolidated financial statements. During the current quarter, the renovations were completed, and the property became available for use and began leasing space to tenants. A formal valuation was completed on the property in early 2013 and this has resulted in the unrealized gain on fair value adjustment on investment properties during the three month period ending March 31, 2013.

(expressed in Canadian dollars)

6 Property and equipment

					2012
	Furniture and fixtures $	Equipment $	Vehicles $	Buildings $	Total $
December 31					
Cost	138,890	125,737	268,351	4,238,707	4,771,685
Accumulated depreciation	17,606	37,970	32,090	107,988	195,654
Net book value	121,284	87,767	236,261	4,130,719	4,576,031

					2013
	Furniture and fixtures $	Equipment $	Vehicles $	Buildings $	Total $
Cost					
At January 1	138,890	125,737	268,351	4,238,707	4,771,685
Additions	7,194	19,442	-	50,585	77,221
Foreign exchange adjustment	952	727	1,909	30,067	33,655
At March 31	147,036	145,906	270,260	4,319,359	4,882,561

					2013
	Furniture and fixtures $	Equipment $	Vehicles $	Buildings $	Total $
Accumulated depreciation					
At January 1	17,606	37,970	32,090	107,988	195,654
Depreciation	1,524	9,003	8,340	27,003	45,870
Foreign exchange adjustment	114	810	65	2,430	3,419
At March 31	19,244	47,783	40,495	137,421	244,943
Net book value at March 31	127,792	98,123	229,765	4,181,938	4,637,618

(expressed in Canadian dollars)

7 Equity

Stock options

A summary of the Company's options as at March 31, 2013 and December 31, 2012 and changes during the periods then ended follows:

	March 31, 2013	Weighted average exercise price $	December 31, 2012	Weighted average exercise price $
Balance, beginning of period	1,782,000	3.40	1,697,000	3.36
Options cancelled	(2,500)	4.25	(5,000)	4.25
Options granted	475,000	4.13	190,000	4.00
Options forfeited	(7,500)	4.25	(100,000)	4.36
Options exercised	(30,000)	1.90	-	
Balance, end of the year	2,217,000	3.57	1,782,000	3.40
Exercisable	468,000	2.81	358,000	2.94
Weighted remaining average life (years)		4.45		3.84

In the period, 30,000 options were exercised at a price of $1.90 for total cash proceeds of $57,000. During the first quarter of 2013, 7,500 options with an exercise price of $4.25 were forfeited.

On March 1, 2013, the Company issued 350,000 five year stock options at a price of $4.13 per share and 125,000 three year stock options at a price of $4.13.

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

	March 31, 2013 $	December 31, 2012 $
Weighted average number of shares – basic	34,170,019	34,143,352
Effect of dilutive stock options	1,930,333	1,738,913
Weighted average number of shares – diluted	36,100,352	35,882,265

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

(expressed in Canadian dollars)

8 Related party transactions

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

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

	March 31, 2013 $	March 31, 2012 $
Salaries and other short-term employee benefits	39,860	27,500
Share-based payments	296,471	114,180
	336,331	141,680

(expressed in Canadian dollars)

9 Contingent liabilities

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

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

The Company is also subject to litigation arising in the normal course of conducting its insurance business. The Company is of the opinion that this litigation will not have a significant effect on the financial position, financial performance or cash flows of the Company.

10 Supplementary cash flow information

	March 31, 2013 $	March 31, 2012 $
Changes in non-working capital arising from		
Other assets	(695,387)	(1,270,654)
Trade payables and accrued liabilities	153,271	102,558
Reinsurance assets	(168,189)	-
Deferred acquisition expense	10,594	-
Income tax payable	9,100	(63,974)
Insurance contract liabilities	226,754	194,615
Changes in non-cash working capital from operating activities	(463,857)	(1,037,455)

(expressed in Canadian dollars)

11 Segment information

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

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

Insurance Operations includes general property and casualty insurance products in Mongolia. Insurance underwriting and claims handling functions are administered through Mandal General Insurance LLC.

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

(expressed in Canadian dollars)

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

	Three months ended March 31, 2013			
	Investment property $	Insurance $	Corporate $	Total $
Rental income	414,385	-	-	414,385
Property operating expenses	(244,046)	-	-	(244,046)
Unrealized gain on fair value adjustment on investment properties	1,136,125	-	-	1,136,125
Net premiums earned	-	342,117	-	342,117
Claims and insurance benefits incurred	-	(223,490)	-	(223,490)
Share based payment	(136,832)	(174,547)	(315,495)	(626,874)
Other expenses	(52,695)	(287,391)	(597,841)	(937,927)
Depreciation	(32,577)	(10,870)	(2,423)	(45,870)
Net investment income	97,797	155,195	155	253,147
Gain on disposal of investment property	2,515	-	-	2,515
Other revenue	7,853	8,606	1,000	17,459
Net income (loss) before income taxes	1,192,525	(190,380)	(914,604)	87,541

(expressed in Canadian dollars)

	Three months ended March 31, 2012			
	Investment property $	**Insurance $**	**Corporate $**	**Total $**
Rental income	383,104	-	-	383,104
Property operating expenses	(149,661)	-	-	(149,661)
Unrealized gains on fair value adjustment on investment properties	-	-	-	-
Net premiums earned	-	71,983	-	71,983
Claims and insurance benefits incurred	-	(22,432)	-	(22,432)
Share based payment	(134,290)	(135,894)	(120,015)	(390,199)
Other expenses	(67,068)	(377,600)	(234,030)	(678,698)
Depreciation	(8,800)	(6,150)	(2,393)	(17,343)
Net investment income	-	136,544	1,958	138,502
Other revenue	14,795	-	-	14,795
Net income (loss) before income taxes	38,080	(333,549)	(354,480)	(649,949)

(expressed in Canadian dollars)

	March 31, 2013			
	Investment property $	**Insurance $**	**Corporate $**	**Consolidated $**
Total assets	45,631,782	6,330,288	897,041	52,859,111
Property and equipment	4,384,110	226,829	26,679	4,637,618
Investment properties	33,260,289	-	-	33,260,289
Period Expenditures				
Property and equipment	50,585	24,440	2,196	77,221
Investment properties	1,082,584	-	-	1,082,584

	March 31, 2012			
	Investment property $	**Insurance $**	**Corporate $**	**Consolidated $**
Total assets	44,110,990	5,111,219	6,561,087	55,783,296
Property and equipment	4,529,205	179,974	33,457	4,742,636
Investment properties	29,920,696	-	-	29,920,696
Period Expenditures				
Property and equipment	8,055	45,660	1,469	55,184
Investment properties	3,244,406	-	-	3,244,406

	Revenue		**Property and equipment**		**Investment property**	
	March 31, 2013 $	**March 31, 2012 $**	**March 31, 2013 $**	**March 31, 2012 $**	**March 31 2013 $**	**March 31, 2012 $**
Barbados	-	-	-	-	-	-
Canada	1,000	-	26,679	33,457	-	-
Mongolia	775,476	469,882	4,610,939	4,709,179	33,260,289	29,920,696
	776,476	469,882	4,637,618	4,742,636	33,260,289	29,920,696

(expressed in Canadian dollars)

12 Other expenses

	March 31, 2013 $	March 31, 2012 $
Professional fees	419,959	140,127
Travel	55,704	42,943
Advertising	76,488	59,812
Net claims incurred	223,490	22,432
Land and property tax	57,560	27,030
Insurance	6,822	5,413
Utility expense	29,145	20,021
Other expenses	144,516	324,940
	1,013,684	642,718

13 Fair value hierarchy

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

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

The Company has implemented the following classifications:

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

- The Company defines active markets based on the frequency of valuation and any restrictions or illiquidity on disposition of investments. The size of the bid/ask spread is used as an indicator of market activity for fixed maturity securities. Assets measured at fair value and classified as Level 1 include cash and cash equivalents, and investments and marketable securities. Fair value is based on market price data for

(expressed in Canadian dollars)

identical assets obtained from the investment custodian, investment managers or dealer markets. The Company does not adjust the quoted price for such instruments.

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

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

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

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

	March 31, 2013	
	Level 1 $	Total $
FVTPL		
Money market fund	100	100

	December 31, 2012	
	Level 1 $	Total $
FVTPL		
Money market fund	100	100

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