



First Quarter

2011

Interim Consolidated Financial Statements (Unaudited)
As at and for the three months ended March 31, 2011

Atlas Financial Holdings, Inc.

Interim Consolidated Financial Statements

Table of Contents

Description	Page
Interim Consolidated Financial Statements	
Interim Consolidated Balance Sheet	3
Interim Consolidated Statement of Comprehensive Income	4
Interim Consolidated Statement of Changes in Stockholders' Equity	5
Interim Consolidated Statement of Cash Flows	6
Notes to the Interim Consolidated Financial Statements	
Note 1. The Company and Its Business	7
Note 2. Adoption of International Financial Reporting Standards	8
Note 3. Significant Accounting Policies	9
Note 4. IFRS Standards – issued but not yet effective	14
Note 5. Investment in Securities	14
Note 6. Financial and Capital Risk Management	16
Note 7. Income Taxes	18
Note 8. Assets Held for Sale	18
Note 9. Notes Payable	19
Note 10. Underwriting Policy and Reinsurance Ceded	19
Note 11. Provision for Unpaid Claims	20
Note 12. Stock Options and Warrants	20
Note 13. Share Capital	21
Note 14. Employee Benefit Plans	22
Note 15. Earnings per Share	23
Note 16. Related-Party Transactions	23
Note 17. Impact of adopting International Reporting Standards	24
Note 18. Events after the Reporting Period	24

Atlas Financial Holdings, Inc.
Interim Consolidated Balance Sheet (unaudited)

(in thousands of US dollars, except for share amounts)

As at	Note	March 31, 2011	December 31, 2010	January 1, 2010
Assets				
Investments				
Cash and cash equivalents		\$ 8,713	\$ 19,037	\$ 6,695
Securities	5	149,294	154,011	214,910
		158,007	173,048	221,605
Accrued investment income		1,296	1,293	1,710
Accounts receivable and other assets		13,909	13,340	28,109
Due from reinsurers and other insurers	10	11,573	11,276	5,811
Income taxes receivable	7	0	0	271
Deferred Policy acquisition costs		4,153	3,804	9,399
Deferred tax asset	7	6,399	6,399	9,273
Office equipment		1,182	1,274	1,423
Assets held for sale	8	15,004	15,004	0
Total Assets		\$ 211,523	\$ 225,438	\$ 277,601
Liabilities				
Claims liabilities	11	\$ 119,604	\$ 132,579	\$ 169,515
Unearned premiums		20,096	17,061	34,286
Notes Payable	9	0	0	13,500
Due to reinsurers and other insurers	10	8,559	9,614	640
Accounts payable and other liabilities		7,531	8,662	9,761
		155,790	167,916	227,702
Shareholders' equity				
Ordinary voting common shares, par value \$0.001, 800,000,000 shares authorized, 4,569,205 shares issued and outstanding at March 31, 2011	13	8,010	8,010	8,010
Restricted voting common shares, par value \$0.001, 100,000,000 shares authorized, 13,804,861 shares issued and outstanding at March 31, 2011	13	27,760	27,760	27,760
Preferred shares, par value \$0.001, 18,000,000 shares authorized, issued and outstanding at March 31, 2011	13	15,353	15,353	15,353
Contributed surplus		116,730	116,714	46,923
Retained deficit		(114,260)	(113,371)	(47,714)
Accumulated other comprehensive income (loss), net of tax		2,140	3,056	(433)
		55,733	57,522	49,899
Total liabilities and shareholders' equity		\$ 211,523	\$ 225,438	\$ 277,601

See accompanying notes to the unaudited Interim Consolidated Financial Statements.

Atlas Financial Holdings, Inc.
Interim Consolidated Statement of Comprehensive Income (unaudited)

(in thousands of US dollars, unless otherwise indicated)

For the quarter ended March 31,	Note	2011	2010
<i>Gross premiums written</i>		\$ 14,166	\$ 18,704
Net premiums earned		8,809	19,301
Net claims incurred	11	6,889	15,345
Acquisition costs		1,779	4,015
Other underwriting expenses		2,411	4,575
Underwriting income (loss)		(2,270)	(4,634)
Net investment income		755	1,465
Net investment gains (losses)		434	216
Other income		193	559
Loss before income tax expense (benefit)		(889)	(2,394)
Income tax expense (benefit)	7	0	(811)
Net loss attributable to common shareholders		\$ (889)	\$ (1,583)
Weighted average number of common shares, basic and diluted	15	18,368,483	18,358,363
Earnings per common share, basic and dilutive (dollars)	15	\$ (0.05)	\$ (0.09)
Other comprehensive income (loss)			
Available-for-sale securities:			
Changes in net unrealized gains (losses)	5	(916)	1,196
Income tax benefit (expense)	7	0	(406)
Other comprehensive income(loss) for the period		(916)	790
Total comprehensive income (loss) attributable to common shareholders		\$ (1,805)	\$ (793)

See accompanying notes to the unaudited Interim Consolidated Financial Statements.

Atlas Financial Holdings, Inc.

Interim Consolidated Statement of Changes in Stockholders' Equity (unaudited)

(in thousands of US dollars, unless otherwise indicated)

	Note	Ordinary voting common shares	Restricted voting common shares	Preferred shares	Contributed surplus	Retained deficit	Accumulated other comprehensive income (loss)	Total
Balance as at January 1, 2011		\$ 8,010	\$ 27,760	\$ 15,353	\$ 116,714	\$ (113,371)	\$ 3,056	\$ 57,522
Net income(loss) attributable to shareholders						(889)		(889)
Other comprehensive income (loss) for the period	5						(916)	(916)
Total comprehensive income (loss) for the period		0	0	0	0	(889)	(916)	(1,805)
Stock options exercised	12				16			16
Balance as at March 31, 2011		\$ 8,010	\$ 27,760	\$ 15,353	\$ 116,730	\$ (114,260)	\$ 2,140	\$ 55,733
Balance as at January 1, 2010 *		\$ 8,010	\$ 27,760	\$ 15,353	\$ 46,923	\$ (47,714)	(433)	\$ 49,899
Net income(loss) attributable to shareholders						(1,583)		(1,583)
Other comprehensive income (loss) for the period							790	790
Total comprehensive income (loss) for the period		0	0	0	0	(1,583)	790	(793)
Merger of Southern United					59,772	(43,845)	331	16,258
Dividends paid					(14,300)			(14,300)
Balance as at March 31, 2010		\$ 8,010	\$ 27,760	\$ 15,353	\$ 92,395	\$ (93,142)	\$ 688	\$ 51,064

* Note: A reclassification of \$518 has been made to the Balance as at January 1, 2010 for 'Retained deficit' and 'Accumulated other comprehensive income' having a nil effect on Total Shareholder's Equity.
See accompanying notes to the unaudited Interim Consolidated Financial Statements.

Atlas Financial Holdings, Inc.
Interim Consolidated Statement of Cash Flows (unaudited)

(in thousands of US dollars)

For the periods ended March 31,	Note	2011	2010
Operating activities			
Net loss attributable to common shareholders		(889)	(1,583)
Adjustments for non-cash items		(54)	1,295
Changes in other operating assets and liabilities		(369)	(5,650)
Changes in net claims liabilities	11	(12,975)	(10,401)
Net cash flows (used in) operating activities		(14,287)	(16,339)
Investing activities			
Proceeds from sale and maturity of investments		12,955	45,877
Purchases of investments		(8,988)	(11,137)
Cash acquired from merger of subsidiary		—	3,872
Purchases of property and equipment and other		(20)	(20)
Proceeds from sale of property and equipment and other		—	—
Net cash flows provided by investing activities		3,947	38,592
Financing activities			
Options Exercised	12	16	—
Dividends paid		—	(14,300)
Net cash flows provided by (used in) investing activities		16	(14,300)
Net increase (decrease) in cash and equivalents		(10,324)	7,953
Cash and cash equivalents, beginning of period		19,037	6,695
Cash and cash equivalents, end of period		8,713	14,648

See accompanying notes to the unaudited Interim Consolidated Financial Statements.

Notes to Interim Consolidated Financial Statements (unaudited)

(in thousands of U.S. dollars, except for amounts preceded by "C" as Canadian dollars, share and per share amounts)

Note 1. The Company and Its Business:

Formation of the Company - Atlas Financial Holdings, Inc., ("Atlas" or the "Company") is a financial services holding company that was formed on December 31, 2010 through a reverse triangular merger amongst:

- (a) JJR VI Acquisition Corporation (JJR VI), a Canadian Capital Pool Company sponsored by JJR Capital, a Toronto based merchant bank,
- (b) American Insurance Acquisition Inc., ("American Acquisition"), a corporation formed under the laws of Delaware by Kingsway America Inc., a subsidiary of Kingsway Financial Services Inc., a Canadian public company formed under the laws of Ontario and whose shares are traded on the Toronto and New York Stock Exchanges, and,
- (c) Atlas Acquisition Corp, a Delaware corporation formed by JJR VI.

Prior to the merger Kingsway America Inc. transferred 100% of the capital stock of two of its insurance subsidiaries, American Service Insurance Company ("American Service") and American Country Insurance Company ("American Country") to American Acquisition in exchange for common and preferred shares of American Acquisition and promissory notes aggregating C\$61 million. In addition, American Acquisition raised C\$7.9 million through a private placement offering of subscription receipts to qualified investors at a price of C\$2.00 per subscription receipt.

In the reverse merger, Kingsway America Inc. received 13.8 million restricted voting common shares valued at \$27.4 million, 18 million non-voting preferred shares valued at \$18.0 million, and C\$7.9 million in exchange for 100% of the outstanding shares of American Acquisition and full payment of the promissory notes. Investors in the American Acquisition subscription receipts received 3,983,502 ordinary voting common shares plus warrants to purchase one ordinary common voting share for each subscription receipt at C\$2.00 at any time until December 31, 2013 (three years after the closing of the merger). As part of the merger, JJR VI common shares held by former shareholders of JJR VI were consolidated on the basis of one post-consolidation JJR VI common share for every 10 pre-consolidation JJR VI common shares. The post-consolidation JJR VI common shares were then exchanged on a one-for-one basis for ordinary voting common shares of Atlas.

The Company commenced operations on December 31, 2010. Atlas ordinary voting shares have been traded on TSX Venture Exchange (TSXV) under the symbol "AFH" since January 7, 2011.

The address of the Company's registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The operating headquarters of the Company and its subsidiaries is located at 150 Northwest Point Blvd., Elk Grove Village, IL 60007, USA.

Business - The primary business of the Company, which is carried out through American Country and American Service, is the underwriting of commercial automobile insurance policies in the United States, with a niche market orientation and focus on insurance in the "light" commercial automobile sector. This sector includes taxi cabs, non-emergency paratransit, limousine, livery and business autos. Automobile insurance products provide insurance

coverage in three major areas: liability, accident benefits and physical damage. Liability insurance provides coverage where the insured is responsible for an automobile accident, for the payment for injuries and property damage to third parties. Accident benefit policies or personal injury protection policies provide coverage for loss of income, medical and rehabilitation expenses for insured persons who are injured in an automobile accident, regardless of fault. Physical damage coverage provides for the payment of damages to an insured automobile arising from a collision with another object or from other risks such as fire or theft. In the short run, automobile physical damage and liability coverage generally provides more predictable results than automobile accident benefit or personal injury insurance.

The Company's insurance subsidiaries distribute their insurance products through a network of independent retail agents. Together, American Country and American Service are licensed to write property and casualty insurance in 47 states in the United States. The management and operating infrastructure of American Country is integrated with that of American Service.

Note 2. Adoption of International Financial Reporting Standards:

These interim consolidated financial statements (unaudited) of the Company and its subsidiaries as of and for the three months ended March 31, 2011 and 2010 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The IFRS include the International Financial Reporting Standards and International Accounting Standards ("IAS") issued or adopted by the International Accounting Standards Board together with interpretations issued by the IFRS International Financial Reporting Interpretations Committee or interpretation issued by its predecessor organization the Standards Interpretations Committee.

These are the Company's first financial statements covering the first three months of the year to be included in the Company's first annual consolidated financial statements for the year ending December 31, 2011 prepared in accordance with IFRS. These financial statements were prepared in accordance with IAS 34 - Interim Financial Reporting and IFRS - 1 First-time Adoption of International Financial Reporting Standards. Since these are the Company's first IFRS compliant financial statements they include additional disclosures related to the transition to IFRS.

These statements do not include all the disclosures required for annual financial statements prepared in accordance with IFRS, and therefore these financial statements should be read together with the Company's annual consolidated financial statements for the years ended December 31, 2010 and 2009 that were prepared in accordance with U.S. generally accepted accounting principles ("GAAP").

The Company previously presented its consolidated financial statements in accordance with GAAP. IFRS is based on a conceptual framework similar to GAAP. There are differences in recognition; measurement and disclosure between IFRS and GAAP.

As discussed in Note 13 Share Capital, the outstanding preferred shares are entitled to accrued dividends on a cumulative basis whether or not declared by the Board of Directors. In accordance with IAS-32, *Financial Instruments: Presentation*, because of their mandatory dividend feature the preferred shares are deemed to contain both a liability and an equity component. The liability component is the estimated present value of the future dividends the Company estimates will accrue beginning December 31, 2010 before the preferred shares are either redeemed, at the option of the Company, or converted into ordinary restricted voting common shares, at the option of the holder. The liability component, classified in accounts payable and other liabilities is \$2,647, and the equity component, classified

in shareholders' equity, is \$15,353 at January 1, 2010, December 31, 2010, respectively, in the accompanying balance sheet. The liability component is measured at amortized cost with adjustments as necessary for changes in estimates recorded through income, and a corresponding charge to interest expense at the rate of 8.6% per year.

There are no other differences between IFRS and U.S. GAAP that had an impact on the Company's financial statements. Accordingly there are no other reconciling items that have changed the reported amounts under IFRS in these unaudited interim consolidated financial statements compared to the Company's previous financial statements prepared under U.S. GAAP.

The accounting policies set out below are based on IFRS standards that have been issued and are effective for fiscal periods ended March 31, 2011. These are the policies that the Company expects to be in effect and that it expects to adopt in the preparation of its annual consolidated financial statements for the year ending December 31, 2011. IFRS and IFRIC are subject to change prior to year-end and new or amended standards and interpretations may be applicable to the Company at year-end that will necessitate changes in the policies described below. These policies have been applied consistently to all periods presented in these unaudited interim consolidated financial statements, including the opening balance sheet as of January 1, 2010, the transition date to IFRS, and the balance sheet as of December 31, 2010, as required by IFRS-1.

IFRS-1 provides guidance on first-time adoption and generally requires the retrospective application of all IFRS at the end of the first annual reporting period. However, the standard does require certain mandatory exceptions and provides for certain optional exemptions to full retrospective application upon first-time adoption.

Mandatory exception - In preparing these financial statements the Company applied the mandatory exception that requires that hindsight not be used to revise estimates made under GAAP and accordingly estimates previously made are consistent with their application under IFRS. The other mandatory exceptions are not applicable to the Company.

Optional Exemption – The Company elected to apply the transitional provisions of *IFRS 4 Insurance Contracts* which allows insurance companies adopting IFRS to continue with their existing accounting policies and to continue to apply their existing policies for measuring insurance liabilities, subject to a liability adequacy test.

IFRS 4 introduces new disclosures, which will be included in the Company's annual consolidated financial statements for the year ending December 31, 2011. These disclosures require (a) an insurance risk sensitivity analysis that discloses the estimated impact on income and equity resulting from changes in relevant insurance risk variables and assumptions, and (b) a concentration of insurance risk describing the basis of determining insurance risk concentration. IFRS 4 does not permit off-setting of insurance liabilities against related insurance assets nor income and expenses to be offset from reinsurance amounts.

There was no impact on the Company's financial statements from the adoption of this optional election.

Note 3. Significant Accounting Policies:

- a) **Basis of presentation** - These statements have been prepared under the historical cost convention, except for available-for-sale ("AFS") securities which are carried at fair value. Assets held for sale are carried at the lower of cost or fair value. All of the Company's securities are classified as AFS. Unrealized gains and losses on AFS securities are recognized in other comprehensive income.
- b) **Classification of assets and liabilities** - Assets and liabilities in the accompanying consolidated balance sheet are presented in order of liquidity, as is customary in the insurance and financial services industries and

permitted under IFRS, rather than classified as current (settled in 1 year or less) and non-current (settled beyond 1 year). Assets and liabilities that would otherwise be classified as current include cash and cash equivalents, accrued investment income, accounts receivable and other assets, due from reinsurers and other insurers, income tax receivable, deferred policy acquisition costs, assets held for sale, accounts payable and accrued expenses, due to reinsurers and other insurers. Balances that would otherwise be classified as non-current include deferred tax assets and office equipment. All other assets and liabilities include balances that are both current and non-current.

- c) **Reverse acquisition continuation accounting** - As described in Note 1, Formation of the Company, Atlas was formed through a reverse triangular merger and these consolidated financial statements are those of Atlas and subsidiaries and have been prepared in accordance with *IFRS 3 – Business Combinations* and *IAS 27 Consolidated and Separate Financial Statements*. Under these standards the financial statements prepared following the reverse merger are presented in the name of the legal parent acquirer, Atlas, but are a continuation of the financial statements of the accounting acquirer, American Acquisition, with an adjustment for the capital structure (that is the number and type of equity interests, including equity instruments issued to effect the merger) of Atlas, as the legal parent acquirer and accounting acquiree. Accordingly, and as a result of the December 31, 2010 merger date, shareholders' equity at December 31, 2010 and January 1, 2010 each reflect the common shares outstanding at the date of the merger together with the ordinary voting common shares, restricted voting common shares and preferred shares that were issued to effect the merger, and also reflect the historical retained earnings (retained deficit) balances of American Acquisition, as the accounting acquirer.
- d) **Estimates and assumptions** - The preparation of financial statements under IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates and changes in estimates are recorded in the accounting period in which they are determined. The liability for unpaid loss and loss adjustment expenses represents the most significant estimate in the accompanying financial statements. Significant estimates in the accompanying financial statements also include the fair values of investments in bonds and stocks, deferred tax asset valuation, premium receivable bad debt allowance and deferred policy acquisition cost recoverability.
- e) **Business combinations** - As indicated in note 1, the reverse merger was consummated and Atlas commenced operations on December 31, 2010. In accordance with IFRS 3, Business Combinations, American Acquisition is considered the accounting acquirer and Atlas (formerly JJR VI), the legal acquirer, is considered to be the accounting acquiree. Accordingly the unaudited consolidated financial statements for all periods presented herein are a continuation of the financial statements American Acquisition adjusted for the legal capital of Atlas.
- f) **Principles of consolidation** - The consolidated financial statements include the accounts of the Company and the entities it controls, its subsidiaries. Subsidiaries are entities over which the Company, directly or indirectly, has the power to govern the financial and operating policies in order to obtain the benefits from their activities, generally accompanying an equity shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company and are de-consolidated from the date that control ceases. The operating results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of operations from the effective date of acquisition and up to the effective date of disposal, as appropriate. All significant

intercompany transactions and balances are eliminated in consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

The following are the Company's subsidiaries, all of which are 100% owned, either directly or indirectly, together with the jurisdiction of incorporation that are included in consolidated financial statements:

American Insurance Acquisition Inc. (Delaware)
American Country Insurance Company (Illinois)
American Service Insurance Company, Inc. (Illinois)
Southern United General Agency of Texas (Texas)

- g) **Financial Instruments** - Financial instruments are recognized and derecognized using trade date accounting, since that is the date the Company contractually commits to the purchase or sale with the counterparty.

Effective interest method - The effective interest method is a technique for calculating the amortized cost of a financial asset or a financial liability and to allocate interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash flows through the expected life of the financial instrument.

Financial assets - The Company classifies financial assets as described below. Management determines the classification at initial recognition based on the purpose of the financial asset

Cash and cash equivalents - Cash and cash equivalents include cash and securities with maturities of 90 days or less.

Available-for-sale ("AFS") - Investments in bonds are classified as available-for-sale. Securities are classified as available-for-sale when the Company may decide to sell those securities due to changes in market interest rates, liquidity needs, changes in yields or alternative investments, and for other reasons. Available-for-sale securities are carried at fair value less impairment charges, if any, with unrealized gains and losses, net of income tax, included as a separate component of accumulated other comprehensive income (loss) in shareholder's equity. Impairment charges can be reversed if there is no longer objective evidence of impairment.

Collateral and mortgage loans are reported at their unpaid principal balance.

Interest income is reported net of amortization of premium and accretion of discount. Realized gains and losses on disposition of available-for-sale securities are based on the net proceeds and the adjusted cost of the securities sold, using the specific identification method.

Accounts receivables and other assets - Receivables are financial assets with fixed or determinable payments that are not quoted in an active market. These assets are recognized initially at fair value, together with directly attributable transaction costs and subsequently measured at amortized cost using the effective interest method less any impairment losses.

Accounts receivable include premium balances due and uncollected and installment premiums not yet due from agents and insureds. Premiums receivable are shown net of bad debt allowance of \$4.1 million, \$4.2 million and \$1.8 million at March 31, 2011, December 31, 2010 and January 1, 2010, respectively.

Impairment of financial assets - The Company assesses, on a quarterly basis, whether there is objective evidence that a financial asset or group of financial assets is impaired. AFS assets are deemed to be impaired if, and only

if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset or group of assets and that event (or events) has an impact on the estimated future cash flows of such assets and that it can be reliably measured. Evidence of impairment that the Company considers includes an issuer experiencing significant financial difficulty, default or delinquency in contractual interest or principal payment, probability of bankruptcy or other financial reorganization.

Financial liabilities - Financial liabilities consist of notes payable. Financial liabilities are initially recognized at fair value plus directly attributable issuance transaction costs. All other liabilities are subsequently measured at amortized cost, net of issuance costs, using the effective interest method.

Fair values of financial instruments - The Company has used the following methods and assumptions in estimating its fair value disclosures:

Cash and Securities – Fair values for bonds are based on quoted market prices, when available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments or values obtained from independent pricing services through a bank trustee. The carrying amounts reported in the balance sheet for cash approximates fair values.

Notes Payable – The carrying amount reported in the balance sheet for notes payable approximates fair value due to their terms and nature of settlement.

- h) Deferred policy acquisition costs** - The Company defers brokers' commissions, premium taxes and other underwriting and marketing costs directly relating to the acquisition of premiums written to the extent they are considered recoverable. These costs are then expensed as the related premiums are earned. The method followed in determining the deferred policy acquisition costs limits the deferral to its realizable value by giving consideration to estimated future claims and expenses to be incurred as premiums are earned. Changes in estimates, if any, are recorded in the accounting period in which they are determined. Anticipated investment income is included in determining the realizable value of the deferred policy acquisition costs. The Company's deferred policy acquisition costs are reported net of ceding commissions.
- i) Income taxes** - Income taxes expense (benefit) includes all taxes based on taxable income (loss) of the Company and its subsidiaries and are recognized in the statement of operations except to the extent that they relate to items recognized directly in equity, in which case the income tax effect is also recognized in equity.

Current tax expense (benefit) is the expected tax payable or recoverable based on taxable and deductible amounts that will be reported on tax returns filed by the Company and its subsidiaries for the current year using tax rates enacted at year-end. The Company recognizes a liability on the balance sheet for current tax for the current and prior years to the extent unpaid and it recognizes an asset if overpaid.

Deferred taxes are recognized using the asset and liability method of accounting. Under this method the future tax consequences attributable to temporary differences in the tax basis of assets, liabilities and items recognized directly in equity and the financial reporting basis of such items are recognized in the financial statements by recording deferred tax liabilities or deferred tax assets, except for those related to non-deductible goodwill and for those related to investments in subsidiaries where their reversal will not take place for the foreseeable future.

Deferred tax assets related to the carry-forward of unused tax losses and credits and those arising from temporary differences are recognized only to the extent that it is probable that future taxable income will be

available against which they can be utilized. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment.

- j) Office equipment** – Office equipment is stated at historical cost less depreciation. Subsequent costs are included in the asset's carrying amount or capitalized as a separate asset only when it is probable that future economic benefits will be realized. Repairs and maintenance are recognized as an expense during the period incurred. Depreciation on equipment is provided on a straight-line basis over the estimated useful lives which range from 5 years for vehicles, 7 years for furniture and the term of the lease for leased equipment.
- k) Insurance contracts** – Contracts under which the Company's insurance subsidiaries accept risk at the inception of the contract from another party (the insured policy holder) by agreeing to compensate the policy holder or other insured beneficiary if a specified future event (the insured event) adversely affects the policy holder are classified as insurance contracts. Contracts that do not transfer significant insurance risk are classified as investment, derivative or service contracts, as appropriate.
- l) Revenue Recognition** - Premium income is recognized on a pro rata basis over the terms of the respective insurance contracts. Unearned premiums represent the portion of premiums written that are related to the unexpired terms of the policies in force.
- m) Provision for Unpaid claims** - The provision for unpaid claims represent the estimated liabilities for reported claims, plus those incurred but not yet reported and the related estimated loss adjustment expenses. Unpaid claims expenses are determined using case-basis evaluations and statistical analyses, including insurance industry loss data, and represent estimates of the ultimate cost of all claims incurred. Although considerable variability is inherent in such estimates, management believes that the liability for unpaid claims is adequate. The estimates are continually reviewed and adjusted as necessary; such adjustments are included in current operations and are accounted for as changes in estimates.
- n) Reinsurance** - As part of the Company's insurance risk management policies, insurance risk is ceded to reinsurers. Reinsurance premiums and claims expenses are accounted for on a basis consistent with those used in accounting for the original policies issued and the terms of the reinsurance contracts. Premiums and claims ceded to other companies have been reported as a reduction of premium revenue and claims incurred expense. Commissions paid to the Company by reinsurers on business ceded have been accounted for as a reduction of the related policy acquisition costs. Reinsurance receivables are recorded for that portion of paid and unpaid losses and loss adjustment expenses that are ceded to other companies. Prepaid reinsurance premiums are recorded for unearned premiums that have been ceded to other companies.
- o) Share-based payments** - The Company has a stock-based compensation plan which is described in Note 12. Under IFRS -2 Share-based payments, the fair-value method of accounting is used to determine and account for equity settled transactions and to determine stock-based compensation awards granted to employees and non-employees using the Black-Scholes option pricing model. Compensation expense is recognized over the period that the stock options vest, with a corresponding increase to additional contributed surplus. For option awards with graded vesting, each tranche is treated as a separate grant and accelerated compensation expense is recognized. When stock options are exercised, the proceeds together with the amount recorded in contributed surplus are recorded in ordinary voting common shares.

p) **Pension expense** - Periodic net pension expense is based on the cost of incremental benefits for employee service during the period, interest on projected benefit obligation, actual return on plan assets and amortization of actuarial gains and losses.

q) **Operating segments** - The Company is in a single operating segment – property and casualty insurance.

Note 4. IFRS Standard issued but not yet effective:

In November 2009 *IFRS 9 Financial Instruments* was issued as the first phase of a three-phase project to replace *IAS 39 Financial Instruments: Recognition and Measurement*. The objective of the standard is to reduce complexity by replacing the many different rules in *IAS 39*.

The first phase addresses the measurement and classification of financial assets and retains but simplifies the measurement model by establishing two primary methods – amortized cost and fair value. Under the fair value method, amounts can be recorded through income or through other comprehensive income. The method selected is dependent on the entity’s business model and the contractual cash flows of the asset. In 2010 the second phase was issued covering the measurement and classification of financial liabilities. This phase provides for the option to measure debt issued by an entity at fair value. The portion of the fair value adjustment attributable to an entities own credit risk is classified in other comprehensive income (loss) and changes not attributable to the changes in own credit risk are recognized through income. The final third unissued phase of the project is expected to address hedge accounting.

IFRS 9 is effective for accounting periods commencing on or after January, 2013 with earlier adoption permitted. The Company is assessing the impact of this pronouncement on its results and financial position.

Note 5. Investment in Securities:

The amortized cost, unrealized gains, unrealized losses and fair value of the Company’s investment in securities is shown below:

As at March 31, 2011		Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Term Deposits		\$16,894	\$4	\$0	\$16,898
Bonds:					
U.S.	-Government	63,683	1,959	0	65,642
	- Corporate	53,824	2,348	20	56,154
	- Commercial Mortgage backed	8,409	214	0	8,623
	- Other asset backed	1,920	59	0	1,979
Totals		\$144,730	\$4,584	\$20	\$149,294

As at December 31, 2010		Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Term Deposits		\$7,898	\$3	\$0	\$7,901
Bonds:					
U.S.	-Government	67,388	2,117	0	69,505

- Corporate	62,429	3,011	0	65,440
- Commercial Mortgage backed	8,445	270	0	8,715
- Other asset backed	2,371	79	0	2,450
Totals	\$148,531	\$5,480	\$0	\$154,011

Fair values for bonds are based on quoted market prices, when available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments or values obtained from independent pricing services through a bank trustee.

The following table summarizes carrying amounts of securities by contractual maturity or expected cash flow dates.

As at March 31, 2011	One year or less	One to five years	Five to ten years	More than ten years	Total
Securities	\$40,156	\$71,635	\$19,616	\$17,887	\$149,294
<i>Percentage of total</i>	26.9%	48.0%	13.1%	12.0%	100.0%

As certain securities and debentures have the right to call or prepay obligations, the actual settlement dates may differ from contractual maturity.

As at March 31, 2011 securities with an estimated fair value of \$14.5 million were on deposit with state regulators and \$10.0 million of securities were pledged to third party reinsurers and insurers as collateral for liabilities under its policies of insurance. Collateral pledging transactions are conducted under terms that are common and customary to standard collateral pledging and are subject to the Company's standard risk management controls.

Management performs a quarterly analysis of the Company's investment holdings to determine if declines in market value are other than temporary. The analysis includes some or all of the following procedures as deemed appropriate by management:

- identifying all security holdings in unrealized loss positions that have existed for at least six months or other circumstances that management believes may impact the recoverability of the security;
- obtaining a valuation analysis from third party investment managers regarding these holdings based on their knowledge, experience and other market based valuation techniques;
- reviewing the trading range of certain securities over the preceding calendar period;
- assessing if declines in market value are other than temporary for debt security holdings based on their investment grade credit ratings from third party security rating agencies;
- assessing if declines in market value are other than temporary for any debt security holding with non-investment grade credit rating based on the continuity of its debt service record;
- determining the necessary provision for declines in market value that are considered other than temporary based on the analyses performed; and,
- assessing the Company's ability and intent to hold these securities at least until the investment impairment is recovered.

The risks and uncertainties inherent in the assessment methodology utilized to determine declines in market value that are other than temporary include, but may not be limited to, the following:

- the opinion of professional investment managers could be incorrect;
- the past trading patterns of individual securities may not reflect future valuation trends;

- the credit ratings assigned by independent credit rating agencies may be incorrect due to unforeseen or unknown facts related to a Company's financial situation; and
- the debt service pattern of non-investment grade securities may not reflect future debt service capabilities and may not reflect the Company's unknown underlying financial problems.

There were no impairments recorded in the three months ended March 31, 2011 or 2010 as a result of the above analysis performed by management to determine declines in market value that may be other than temporary.

Note 6. Financial and Capital Risk Management:

By virtue of the nature of the Company's business activities, financial instruments make up the majority of the balance sheet. The risks which arise from transacting financial instruments include credit risk, market risk, (including potential equity price and foreign currency risk), liquidity risk and cash flow risk. These risks may be caused by factors specific to an individual instrument or factors affecting all instruments traded in the market. The Company has a risk management framework in place to monitor, evaluate and manage the risks assumed in conducting its business. The Company risk management policies and practices are as follows:

Credit risk - The Company is exposed to credit risk principally through its fixed income securities and balances receivable from policyholders and reinsurers. The Company controls and monitors concentration and credit quality risk through policies to limit and monitor its exposure to individual issuers or related groups (with the exception of U.S. bonds) as well as through ongoing review of the credit ratings of issuers held in the securities portfolio. The Company's credit exposure to any one individual policyholder is not material. The Company has policies to evaluate the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities, or economic characteristics of the reinsurers to minimize its exposure to significant losses from reinsurer insolvency.

The table below summarizes the credit exposure of the Company from its investments in fixed income securities and term deposits by rating as assigned by Standard & Poor's or Moody's Investor Services, using the higher of these ratings for any security where there is a split rating:

Rating	March 31, 2011			December 31, 2010		
	Amount	%		Amount	%	
AAA/Aaa	\$ 97,363	65.2	% S	88,684	57.6	%
AA/Aa	12,367	8.3		26,388	17.1	
A/A	35,275	23.6		35,027	22.7	
BBB/Baa	4,234	2.8		3,851	2.5	
CCC/Caa or lower or not rated	55	0.1		61	0.1	
Total Securities	\$ 149,294	100.0	%	\$ 154,011	100.0	%

Equity price risk - This is the risk of loss due to adverse movements in equity prices. Since the Company does not own equity securities exposure to equity price risk is considered to be nil.

Foreign currency risk - The Company is not currently exposed to changes in the U.S. to Canadian dollar foreign currency exchange rate.

Liquidity and cash flow risk - Liquidity risk is the risk of having insufficient cash resources to meet current financial obligations without raising funds at unfavorable rates or selling assets on a forced basis. Liquidity risk arises from general business activities and in the course of managing the assets and liabilities of the Company. There is the risk of

loss to the extent that the sale of a security prior to its maturity is required to provide liquidity to satisfy policyholder and other cash outflows. Cash flow risk arises from risk that future inflation of policyholder cash flow exceeds returns on long-dated investment securities. The purpose of liquidity and cash flow management is to ensure that there is sufficient cash to meet all financial commitments and obligations as they fall due. The liquidity and cash flow requirements of the Company's business have been met primarily by funds generated from operations, asset maturities and income and other returns received on securities. Cash provided from these sources is used primarily for claims and claim adjustment expense payments and operating expenses. The timing and amount of catastrophe claims are inherently unpredictable and may create increased liquidity requirements.

Fair value - Fair value amounts represent estimates of the consideration that would currently be agreed upon between knowledgeable, willing parties who are under no compulsion to act.

Fair value is best evidenced by quoted bid or ask price, as appropriate, in an active market. Where bid or ask prices are not available, such as in an illiquid or inactive market, the closing price of the most recent transaction of that instrument subject to appropriate adjustments as required is used. Where quoted market prices are not available, the quoted prices of similar financial instruments or valuation models with observable market based inputs are used to estimate the fair value. These valuation models may use multiple observable market inputs, including observable interest rates, foreign exchange rates, index levels, credit spreads, equity prices, counterparty credit quality, corresponding market volatility levels and option volatilities. Minimal management judgment is required for fair values calculated using quoted market prices or observable market inputs for models. The calculation of estimated fair value is based on market conditions at a specific point in time and may not be reflective of future fair values. For the Company's financial instruments carried at cost or amortized cost, the book value is not adjusted to reflect increases or decreases in fair value due to market fluctuations, including those due to interest rate changes as it is the Company's intention to hold them until there is a recovery of fair value, which may be to maturity.

The Company records the available for sale securities held in its securities portfolio at their fair value. The Company primarily uses the services of external securities pricing vendors to obtain these values. The securities are valued using quoted market prices or prices established using observable market inputs. In the current volatile market conditions these quoted market prices or observable market inputs can change rapidly causing a significant impact on fair value and financial results recorded.

The Company employs a fair value hierarchy to categorize the inputs it uses in valuation techniques to measure the fair value. The hierarchy is comprised of quoted market prices (Level 1), internal models using observable market information (Level 2) and internal models without observable market information (Level 3). The Company used level 2 inputs to value 100% of its available for sale securities investments as of March 31, 2011 and December 31, 2010.

The fair value of all other financial instruments approximates their carrying value due to the short term to maturity of those financial instruments.

Capital Management - The Company's capital management objectives, policies and procedures are described in Note 13 of the Company's 2010 annual report. There have been no significant changes in these since December 31, 2010.

Note 7. Income Taxes:

The effective tax rate was 0.0% and (34) % for the three months ended March 31, 2011 and 2010, respectively, compared to the U.S. statutory income tax rate of 34% as shown below:

	March 31, 2011		March 31, 2010	
	Amount	%	Amount	%
Expected income tax benefit at statutory rate	\$ (283)	(34) %	\$ (814)	(34)%
Nondeductible expenses	1	-	3	-
Provision for deferred tax assets deemed unrealizable	282	34	-	-
Total	\$ -	- %	\$ 811	(34) %

The components of deferred tax assets and liabilities are as follows:

	March 31, 2011	December 31, 2010
Deferred tax assets:		
Unpaid claims and unearned premiums	\$ 4,103	\$ 4,218
Loss carry-forwards	2,167	1,964
Pension expense	841	841
Bad debts	1,335	1,356
Other	1,266	1,394
Total gross deferred tax assets	9,712	9,773
Deferred tax liabilities:		
Investment securities	1,570	(1,863)
Deferred policy acquisition costs	1,445	1,293
Other	298	218
Total gross deferred tax liabilities	3,313	3,374
Net deferred tax assets	\$ 6,399	\$ 6,399

A deferred tax asset of \$2,167 has been recognized for \$6,374 (on a tax effected basis) of the loss carry-forwards which primarily consist of operating loss carry-forwards totaling \$35,415 as of March 31, 2011 based on management's assessment of the probable amount of future taxable income that will be available against which the net operating loss carry-forwards can be utilized before expiration.

The Company has the following total net operating loss carry-forwards as of March 31, 2011:

Year of Occurrence	Year of Expiration	Amount
2008	2028	\$ 3,808
2009	2029	20,723
2010	2030	10,884
Total		\$ 35,415

Note 8. Assets Held For Sale:

As at March 31, 2011, the Company had five properties held for sale with an aggregate carrying value of \$15.0 million, including its headquarters building in Elk Grove Village, IL. All of the properties individual carrying values were less than their respective appraised values less reasonably estimated selling costs at the time those appraisals

were received and at the time properties were deemed to be held for sale. All properties were listed for sale through brokers at or below the appraised values as of March 31, 2011.

The Elk Grove Village building and property were previously owned by Kingsway and were contributed to American Service as a capital contribution in June 2010.

Included in assets held for sale is a Mobile Alabama office building with a carrying value of \$2.0 million that was written down by \$0.4 million on December 31, 2010 to an estimated selling price less costs to sell based on a contract for the sale of this property for \$2.1 million that was executed on January 24, 2011. The sale is expected to be consummated in the second quarter of 2011.

Note 9. Notes Payable:

At January 1, 2010 the Company's insurance subsidiaries had surplus notes payable to Kingsway America, their former parent, aggregating \$13.5 million. With approval of the Illinois Department of Insurance, these notes and a \$1.0 million surplus note payable to Kingsway America from the SUFI merger were forgiven on December 2, 2010 by Kingsway America and this amount was recorded as contributed surplus. Accrued interest of \$1.0 million from inception to the date of forgiveness was paid by the Company to Kingsway America during the first quarter of 2011.

Note 10. Underwriting Policy and Reinsurance Ceded:

Underwriting Risk - Underwriting risk is the risk that the total cost of claims and acquisition expenses will exceed premiums received and can arise from numerous factors, including pricing risk, reserving risk, catastrophic risk, catastrophic loss risk and reinsurance coverage risk.

Reinsurance Ceded - As is customary in the insurance industry, the Company reinsures portions of certain insurance policies it writes, thereby providing a greater diversification of risk and minimizing exposure on larger risks. The Company remains contingently at risk with respect to any reinsurance ceded and would incur an additional loss if an assuming company were unable to meet its obligation under the reinsurance treaty.

The Company monitors the financial condition of its reinsurers to minimize its exposure to significant losses from reinsurer insolvencies. Letters of credit are maintained for any unauthorized reinsurer to cover ceded unearned premium and ceded loss reserve balances.

Quarter ended March 31,	2011	2010
Gross premiums written	\$14,166	\$18,704
Ceded premiums written	1,751	4,908
Ceded premiums earned	2,322	1,316
Ceded losses and loss adjustment expenses	1,215	1,521
Ceded unpaid losses and loss adjustment expenses	7,078	4,632
Ceded unearned premiums	3,122	3,823
Ceded commissions	665	1,863

Note 11. Provision for Unpaid Claims:

Provision for unpaid claims - The changes in the provision for unpaid claims, net of amounts recoverable from reinsurers, for the three months ended March 31, 2011 and 2010 were as follows:

As at March 31,	2011	2010
Balance, beginning of period	\$ 132,579	\$ 169,515
Less: reinsurance recoverable	6,477	5,192
Net beginning reserves	126,102	164,323
Incurred related to:		
Current year	6,904	12,563
Prior years	(15)	2,782
	6,889	15,345
Paid related to:		
Current year	1,840	3,454
Prior years	18,625	21,728
	20,464	25,182
Net unpaid claims of subsidiaries acquired	-	9,535
Net balance, end of period	112,526	164,021
Reinsurers' and other insurers' share of unpaid claims	7,078	4,632
Unpaid claims, end of period	\$ 119,604	\$ 168,653

Note 12. Stock Options and Warrants:

Stock options - Stock option activity for the three months ended March 31, 2011 and the year ended December 31, 2010 is as follows:

	March 31, 2011		December 31, 2010	
	Number	Avg. Price	Number	Avg. Price
Outstanding, beginning of period	110,600	C\$1.00	-	-
Granted	369,749	C\$2.00	132,000	C\$1.00
Exercised	(15,703)	C\$1.00	-	-
Expired	-		(21,400)	C\$1.00
Outstanding, end of period	464,646	C\$1.80	110,600	C\$1.00

Information about options outstanding at March 31, 2011 is as follows:

Grant Date	Expiration Date	Exercise Price	Remaining	Number Outstanding	Number Exercisable
			Contractual Life (Years)		
January 18, 2011	January 18, 2021	C\$2.00	9.8	369,749	92,437
March 18, 2010	March 31, 2012	C\$1.00	1.0	9,297	9,297
March 18, 2010	March 18, 2020	C\$1.00	9.0	32,100	32,100
March 18, 2010	December 21, 2011	C\$1.00	.8	53,500	53,500
Total			8.5 wtd. average	464,646	187,334

On March 18, 2010, JJR VI issued options to purchase 250,000 common shares to the agent that assisted JJR VI in raising capital and options to purchase 1,070,000 shares to directors. All of the options were vested at the date of grant. Options to purchase 214,000 shares held by directors expired before the merger as a result of a director resignation. All outstanding JJR VI options were exchanged for Atlas options without modification on the basis of 1 Atlas option for each 10 JJR VI options and the exercise price was changed from C\$0.10 to C\$1.00, which was on the same basis as the JJR VI exchange ratio for shares, and thus did not represent any additional value or related expense. This resulted in 25,000 and 85,600 Atlas options for the agent and former JJR VI directors, respectively, outstanding after the merger. On February 1, 2011, the IPO agent exercised 15,703 options.

On January 6, 2011 the Company adopted a stock option plan in order to advance the interests of the Company by providing incentives to eligible persons defined in the plan. The maximum number of shares reserved for issuance under the plan together with all other security based plans is equal to 10% of issued and outstanding ordinary shares at the date of grant. The exercise price of options granted under the plan cannot be less than the volume weighted average trading price of the Company's ordinary shares for the five preceding trading days. Options generally vest over a three year period and expire ten years from grant date.

On January 18, 2011 the Company granted options to purchase 369,749 ordinary shares of the Company stock to officers and directors at an exercise price of C\$2.00 per share. The options vest 25% at date of grant and 25% on each of the next three anniversary dates and expire on January 18, 2021. In accordance with IFRS-2 Share-based payments for options with graded vesting, each tranche is treated as a separate grant and accelerated compensation expense is recognized.

The Black-Scholes option pricing model is used to estimate the fair value of compensation expense using the following assumptions – risk-free interest rate 2.27% to 3.13%; dividend yield 0.0%; expected volatility 100%; expected life – 6 to 9 years.

Warrants - On November 1, 2010 American Acquisition closed a private placement and issued 3,983,502 subscription receipts for ordinary voting common shares of Atlas and warrants to purchase 3,983,502 Ordinary Voting Common shares of Atlas for C\$2.00 per share in connection with the merger. The subscription receipts were converted to Atlas ordinary voting shares in connection with the merger. The warrants are still outstanding at March 31, 2011 and expire on December 31, 2013.

Note 13. Share Capital:

Share capital as of March 31, 2011, December 31, 2010 and January 1, 2010 is as follows:

	Shares Authorized	Shares Issued and Outstanding	Amount
Ordinary voting common shares	800,000,000	4,559,205	\$8,010
Restricted voting common shares	100,000,000	13,804,861	27,760
Total common shares	900,000,000	18,364,066	\$35,770
Preferred shares	100,000,000	18,000,000	15,353
			\$51,123

The ordinary voting shares are convertible to restricted voting common shares at the option of the holder in the event that an offer is made to purchase all or substantially all of the restricted voting common shares.

All of the issued and outstanding restricted voting common shares are beneficially owned or controlled by Kingsway Financial Services Inc. or entities affiliated with it. In the event that such shares are disposed of such that Kingsway's beneficial interest is less than 10% of the issued and outstanding restricted common voting shares, the restricted voting common shares shall be mandatorily converted into fully paid and non-assessable ordinary voting shares.

The restricted voting shares are entitled to vote at all meetings of shareholders, except at meetings of holders of a specific class that are entitled to vote separately as a class. Voting by restricted voting common share holders is limited to 30% of the issued and outstanding restricted voting common shares.

Preferred shares are not entitled to vote. They accrue dividends on a cumulative basis whether or not declared by the Board of Directors at the rate of U.S. \$0.045 per share per year (4.5%) and may be paid in cash or in additional preferred shares at the option of the Company. In liquidation, dissolution or winding-up of the Company, preferred shareholders receive the greater of US\$1.00 per share plus all declared and unpaid dividends or the amount it would receive in liquidation if the preferred shares had been converted to restricted voting shares or ordinary voting shares immediately prior to liquidation. Preferred shares are convertible into ordinary voting shares at the option of the holder at any date that is after the fifth year after issuance at the rate of 0.3808 ordinary voting shares for each preferred share. The conversion rate is subject to change if the number of ordinary voting shares or restricted voting common shares changes. The preferred shares are redeemable at the option of the Company at a price of US\$1.00 per share plus accrued and unpaid dividends commencing at the earlier of two years from issuance date of the preferred shares or the date the preferred shares are transferred to a party other than Kingsway or its subsidiaries or entities in which Kingsway holds a 10% or greater interest.

Note 14. Employee Benefit Plans:

Defined Contribution Plan - In January 2011 the Company formed a defined contribution 401(k) plan covering all qualified employees of the Company and its subsidiaries. Employees can choose to contribute up to 60% of their annual earnings but not more than \$16,500 for 2011 to the plan. Qualifying employees age 50 and older can contribute an additional \$5,500 in 2011. The Company matches 50% of the employee contribution up to 5% of annual earnings. The Company contributions are discretionary. Employees are 100% vested in their own contributions and vest in the Company contributions based on years of service and are 100% vested after five years. Company contributions were \$23,850 for the three months ended March 31, 2011.

Prior to 2011, eligible employees participated in a defined contribution 401 (k) plan maintained by Kingsway America with features identical to the Company's current plan. Company contribution to the plan was \$43,655 for the three months ended March 31, 2010. Assets of the Kingsway Plan, attributable to the Company's employees, were transferred to the Company's Plan in March 2011.

Defined Benefit Plan - Prior to December 31, 1997, substantially all salaried employees of American Country were covered by a defined benefit pension plan known as the American Country Pension Plan. Benefits were based on the employee's length of service and wages and benefits, as defined by the pension plan. The funding policy of the pension plan was generally to contribute amounts required to maintain minimum funding standards in accordance with the Employee Retirement Income Security Act. Effective December 31, 1997, upon resolution by the board of directors, the pension plan was frozen.

The Company plans to make contributions to the pension plan in 2011 that are not less than the minimum funding requirements under Internal Revenue Code Section 412 or greater than the maximum deductible amount under Code Section 404 for a taxable employer.

Pension expense was \$15,000 and \$30,000 for the three months ended March 31, 2011 and 2010. Information about the plan assets, liabilities and actuarial assumptions as of December 31, 2010 is contained in note 18 of the Company's 2010 annual report. The Company has made an application to the U.S. Internal Revenue Service to dissolve the Plan and distribute the net plan assets to the beneficiaries.

Note 15. Earnings per Share:

Earnings per ordinary and restricted voting common for the three months ended March 31, 2011 and 2010 is as follows:

	2011	2010
Net loss attributable to common shareholders	\$ (889)	\$ (1,523)
Basic:		
Weighted average common shares outstanding	18,368	18,358
Basic loss per common share	\$ (0.05)	\$ (0.09)
Diluted		
Weighted average common shares outstanding	18,368	18,358
Dilutive effect of stock options	-	-
Dilutive effect of warrants	-	-
Dilutive average common shares outstanding	18,368	18,358
Dilutive loss per common share	\$ (0.05)	\$ (0.09)

For the three months ended March 31, 2011, basic loss per share has been computed by dividing net loss for the period by the weighted average number ordinary voting and restricted voting common shares outstanding during the period. The weighted average number of shares outstanding during the period used in the computation was 18,368,596.

For the three months ended March 31, 2010 basic loss per share has been computed by dividing net loss for the period by the number of ordinary voting and restricted voting common shares outstanding at March 31, 2010 which is the same as those outstanding on December 31, 2010, as required by continuation accounting.

Diluted loss per share is computed by dividing net loss by the weighted average number of ordinary voting and restricted voting common shares outstanding at each period end plus the incremental number of shares added as a result of converting common stock equivalents, calculated using the treasury stock method. The Company's common stock equivalents consist of outstanding stock options and warrants to purchase ordinary voting common shares. The effects of options and warrants to issue common stock are excluded from the computation of diluted earnings per share in periods in which the effect would be anti-dilutive. For the three months ended March 31, 2011 and 2010 common stock equivalents were anti-dilutive.

Note 16. Related-Party Transactions:

The Company has been a party to various transactions with its affiliates in the past, although activity in this regard has diminished over time. Related party transactions, including services provided to or received by the Company's subsidiaries, are carried out in the normal course of operations and are measured at the amount of consideration paid or received as established and agreed by the parties. Management believes that consideration paid for such services approximates fair value.

At March 31, 2011 and December 31, 2010, the Company reported net amounts receivable from (payable to) affiliates as follows (in thousands) which are included within other assets and accounts payable and accrued expenses on the balance sheet:

Balances receivable from (payable to) affiliates:	March 31, 2011	December 31, 2010
Kingsway America Inc.	\$ 531	\$ 2,058
Universal Casualty Company	(676)	0
Kingsway Amigo Insurance Company	(33)	(13)
Hamilton Risk Management Inc.	(1)	(1)
Total	\$ (179)	\$ 2,045

In 2010 the Company's insurance subsidiaries remitted management fees monthly to KAI for managerial services and rent for the Company's Elk Grove Village headquarters building. That building was contributed to the Company in June 2010 and rental payments ceased at that time. Management fees to KAI totaling approximately \$0 and \$660,690 for the three months ended March 31, 2011 and 2010, respectively.

The Company received \$0 and \$78,959 in mortgage payments for the three months ended March 31, 2011 and 2010, respectively under a mortgage loan agreement with KAI which was terminated in June of 2010.

For the three months ended March 31, 2011 and 2010, the Company paid \$639,126 and \$1,021,324, respectively, as commissions to Avalon Risk Management, Inc. In the three months ended March 31, 2011 and 2010, they also paid Avalon \$26,000 and \$46,875, respectively, for marketing services. Avalon Risk Management, Inc. was a Kingsway subsidiary through October 2009, and has investors and directors in common with Atlas.

During the 3 months ended March 31, 2010, dividends of \$14,300,000 were paid to KAI by insurance subsidiaries of the Company.

Note 17. Impact of adopting International Financial Reporting Standards:

Except for the impact of applying IAS-32, Financial Instruments: Presentation with respect to the liability and equity components of the preferred shares as discussed in Note 2, Adoption of IFRS, there was no other impact on the Company's opening IFRS consolidated balance sheet as of January 1, 2010, the transition date to IFRS, or the consolidated balance sheet as of December 31, 2010. Additionally there were no other adoption impacts to the Company's consolidated statement of comprehensive income, or statement of changes in shareholders equity for the three months ended March 31, 2010 and the year ended December 31, 2010. According there are no other reconciling items between U.S. GAAP and IFRS to present.

Note 18. Events after the Reporting Period:

On June 8, 2011, the Mobile, Alabama office building was sold for \$2.1 million. The contract for sale was signed in January 2011 and is discussed in Note 8 - Assets Held for Sale. The carrying value of this property had been reduced to the contractual selling price less costs to sell in December 2010 in anticipation of this transaction.

In the second quarter of 2011 the Company initiated the Atlas Employee Stock Purchase Plan to encourage continued employee interest in the operation, growth and development of the Company and to provide an additional investment opportunity to employees. Beginning in June 2011, full time and permanent part time employees working more than 30 hours per week will be allowed to invest up to 5% of adjusted salary in Company stock. The Company will match contributions at 50% of the employee investment amounts up to 2.5% of adjusted salary.

Employees signing up for the program by May 30, 2011 will receive an additional 100 shares of stock as an initial participation incentive. The Company will also pay administrative costs related to this plan.

Events have been evaluated through June 17, 2011, the date the Atlas Board of Directors approved the financial statements for issuance.