MOSAIC CAPITAL

Mosaic Capital Corporation

Annual Information Form

For the year ended December 31, 2011

April 30, 2012

"Growth through sustainable cash flow"

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CERTAIN REFERENCES AND GLOSSARY

In this AIF, unless the context otherwise requires, references to "we", "us", "our" or similar terms refer to Mosaic Capital Corporation ("**Mosaic**") either alone or together with its subsidiaries, as applicable in the context. All references to "dollars" or "$" in this AIF are to Canadian dollars, unless otherwise noted. All capitalized terms used but not defined in this AIF shall have the meaning given to such terms in the "Glossary of Terms" at page G-1 of this AIF.

DATE OF INFORMATION

The information in this AIF is presented as of December 31, 2011, unless otherwise indicated. Information contained in this AIF regarding periods subsequent to the combination of Mosaic Diversified Income Fund (the "**Fund**") and First West Properties Ltd. ("**First West**") under Mosaic pursuant to the Arrangement on May 1, 2011 is a presentation of the consolidated results of the businesses of the operating subsidiaries of Mosaic as of December 31, 2011, being First West, Printing Unlimited L.P. ("**Printing Unlimited**"), Allied Cathodic Services L.P. ("**Allied Cathodic**"), Polar Geomatic Solutions L.P. ("**Polar Geomatic**") and Remote Waste L.P. ("**Remote Waste**"). Information regarding periods preceding the completion of the Arrangement on May 1, 2011 relate to the respective businesses of First West and the Fund (including its operating subsidiaries as of such date). Effective January 1, 2012 Mosaic completed the acquisition of a 75% interest in the business now carried on by Ambassador Mechanical Corp. ("**Ambassador**"). Information with respect to Ambassador has been included in this AIF to provide readers with an up-to-date portrait of Mosaic.

FORWARD LOOKING INFORMATION

This AIF contains forward-looking information and statements within the meaning of applicable Canadian securities laws (herein referred to as "**forward-looking statements**") that involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements or industry results to be materially different from any future results, performance or achievements or industry results expressed or implied by such forward-looking statements. All information and statements in this AIF which are not statements of historical fact may be forward-looking statements. Such statements and information may be identified by looking for words such as "may", "believe", "could", "expect", "will", "intend", "should", "plan", "objective", "predict", "potential", "project", "anticipate", "estimate", "continuous" or similar words or the negative thereof or other comparable terminology, including references to assumptions. Such information may involve, but is not limited to, comments with respect to strategies, expectations, planned operations or future actions. Forward-looking statements included in this AIF include, but are not limited to, statements with respect to: the intention of Mosaic to make cash distributions on the Preferred Securities and pay quarterly dividends on the Common Shares; the outlook of Mosaic's and its subsidiaries' businesses; the competitive environment in which Mosaic and its business units operate; the business strategy and objectives of Mosaic; development plans, as well as acquisition and disposition plans, of Mosaic; the supply and demand for products and services; Mosaic's ability to fund the interest payable on Preferred Securities and to meet current and future obligations; Mosaic's ability to execute its growth strategy; and management's assessment of future plans and operations.

Readers are cautioned not to place undue reliance on forward-looking statements, as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other things contemplated by the forward-looking statements will not occur. Such forward-looking statements or information are based on a number of assumptions which may prove to be incorrect, including those assumptions listed below and those discussed elsewhere in this AIF. Some of the assumptions made by Mosaic, upon which such forward-looking statements are based, include: the ability of Mosaic to continue to conduct First West's commercial real estate business; the business operations of the operating businesses of Mosaic continuing on a basis consistent with prior years; the ability of Mosaic and its subsidiaries to access financing from time to time on favorable terms; the ability of Mosaic to realize anticipated benefits of acquisitions; the continuation of executive and operating management or the non-disruptive replacement of them on competitive terms; the ability of Mosaic to maintain reasonably stable operating and general administrative expenses; current economic conditions and the strength and persistence of the economic recovery in Canada that may be influenced by international economic developments in the United States, Europe, Asia and elsewhere; and currency, exchange and interest rates and commodity prices being reasonably stable at current rates.

Forward-looking statements reflect current expectations of management regarding future events and operating performance as of the date of this AIF. Such information: involves significant risks and uncertainties; should not be read as guarantees of future performance or results; and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to, the risks related to: general economic and business conditions; the failure to identify acquisition targets or complete announced acquisitions; the failure to realize the anticipated benefits of our recent and future acquisitions; fluctuations in exchange and interest rates and commodity prices; competition for, among other things, capital, equipment and skilled personnel; the inability to hire and retain sufficient staff; the inability to generate sufficient cash flow from operations to meet current and future obligations; the inability to obtain required debt and/or equity capital; imprecision in estimating capital expenditures and operating expenses; changes to applicable legislation and regulations and the interpretation thereof, including tax legislation and regulations; risks associated with any lawsuits and regulatory actions against Mosaic; financial health of Mosaic’s subsidiaries and cash flows, reliance on key personnel, competition for acquisition targets, regulatory risk, sensitivity to levels of economic activity, supply disruptions, adverse weather condition, seasonality and fluctuations in results, limited diversification of Mosaic’s subsidiaries, management of future growth initiatives, focus on Western Canada, competition impacting Mosaic’s subsidiaries, availability of equipment and raw materials, employee relations, limited liability and income tax matters. A description of these and other factors can be found under the heading "*Risk Factors*".

Although the forward-looking statements contained in this AIF are based upon what Mosaic's management believes to be reasonable assumptions, Mosaic cannot assure investors that actual results will be consistent with such information. Forward-looking statements reflect management's current beliefs and are based on information currently available to Mosaic. We caution readers of this AIF not to place undue reliance on our forward-looking statements because a number of factors, such as those referred to in the paragraph above, could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements contained in this AIF. The forward-looking statements are made as of the date of this AIF and Mosaic assumes no obligation to update or revise such information to reflect new events or circumstances, except as may be required by applicable law.

CORPORATE STRUCTURE

Mosaic Capital Corporation

Mosaic was incorporated under the ABCA on February 11, 2011 and is the resulting entity from the combination of the businesses of the Fund and First West pursuant to the Arrangement which occurred effective May 1, 2011. Mosaic has two types of securities listed on the TSX-V, Common Shares and Preferred Securities under the symbols "M" and "M.PR.A" respectively.

The registered and head office of Mosaic is located at 400, 2424 - 4th Street SW, Calgary, Alberta T2S 2T4.

In April 2011, at the special meetings of the Fund and First West, the securityholders of the Fund and First West adopted special resolutions approving the combination of the Fund and First West pursuant to a court approved plan of arrangement. Court approval for the Arrangement was obtained on April 28, 2011 and the Arrangement was completed on May 1, 2011. Upon completion of the Arrangement, the Fund and First West became wholly-owned subsidiaries of Mosaic, which now supervises and oversees their respective businesses. Following the completion of the Arrangement, the former securityholders of the Fund and First West became the securityholders of Mosaic.

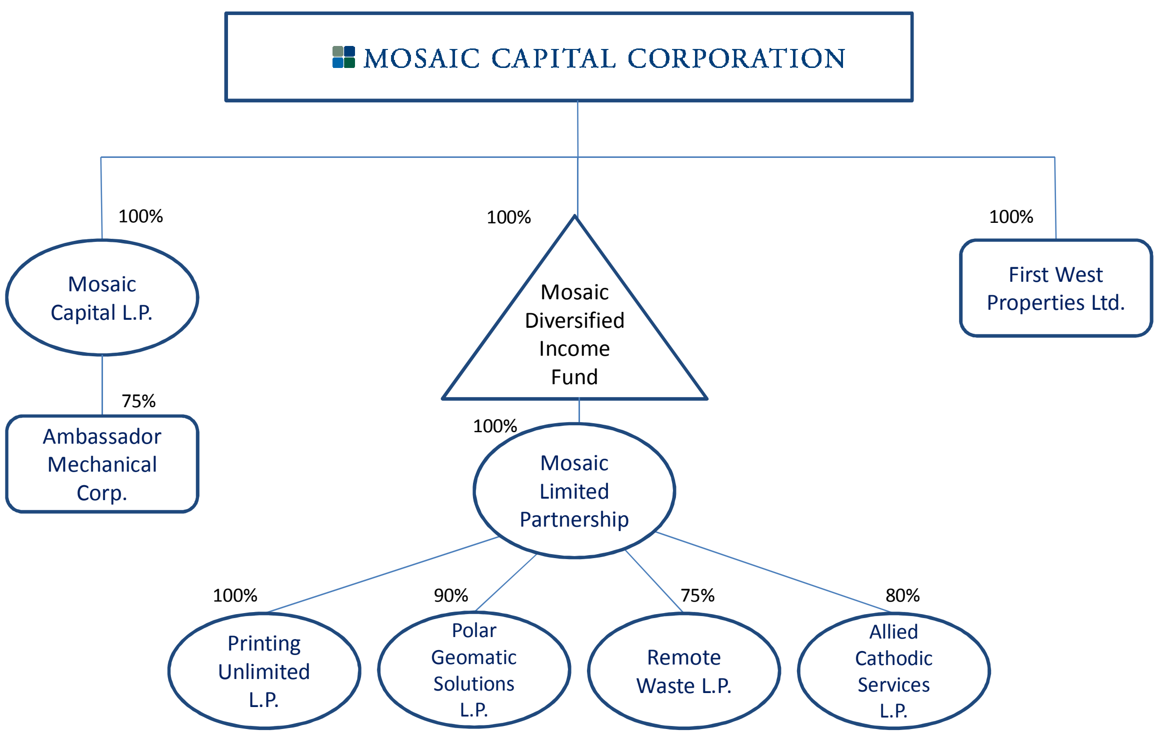
Intercorporate Relationships

The following table provides the name, the percentage of voting securities owned, directly or indirectly, by Mosaic and the jurisdiction of incorporation, continuance or formation of Mosaic's subsidiaries. For simplification purposes, this table omits wholly-owned subsidiaries that are not material.

Name of entity	Percentage of voting securities (directly or indirectly)	Nature of entity	Jurisdiction of Incorporation, Continuance or Formation (as applicable)
Mosaic Diversified Income Fund	100%	Unincorporated open-ended investment trust	Alberta
First West Properties Ltd.	100%	Corporation	Alberta
Mosaic Capital L.P.	100%	Limited Partnership	Alberta
Mosaic Limited Partnership	100%	Limited Partnership	Alberta
Printing Unlimited L.P.	100%	Limited Partnership	Alberta
Allied Cathodic Services L.P.	80%	Limited Partnership	Saskatchewan
Polar Geomatic Solutions L.P.	90%	Limited Partnership	Alberta
Remote Waste L.P.	75%	Limited Partnership	Alberta
Ambassador Mechanical Corp.[1]	75%	Corporation	Manitoba

Notes:
(1) Effective January 1, 2012 Mosaic indirectly acquired a 75% interest in the business now carried on by Ambassador Mechanical Corp.

The following diagram illustrates the current organizational structure of Mosaic:



Mosaic Diversified Income Fund

The Fund is an unincorporated open-ended investment trust governed by a trust indenture dated November 1, 2010, as amended or restated from time to time, and the laws of the Province of Alberta. The Fund indirectly holds all of the units of Mosaic Limited Partnership which in turn holds Mosaic's interest in Printing Unlimited, Allied Cathodic, Polar Geomatic and Remote Waste. The head office of the Fund is located at 400, 2424 - 4th Street SW, Calgary, Alberta T2S 2T4. Mosaic directly owns 100% of the outstanding units of the Fund.

Mosaic Limited Partnership

Mosaic Limited Partnership ("**MLP**") is a limited partnership formed under the laws of Alberta pursuant to the terms of a limited partnership agreement dated February 21, 2006, as amended or restated from time to time. Mosaic, through one or more subsidiaries, indirectly owns 100% of the outstanding limited partnership units of MLP and controls the general partner thereof. The primary activity of MLP is the holding of the securities of each of Printing Unlimited, Allied Cathodic, Remote Waste and Polar Geomatic. The head office of MLP is located at 400, 2424 - 4th Street SW, Calgary, Alberta T2S 2T4.

Printing Unlimited L.P.

Printing Unlimited is a limited partnership formed under the laws of the Province of Alberta pursuant to the terms of a limited partnership agreement dated January 10, 2007, as amended or restated from time to time. Mosaic, through one or more subsidiaries, indirectly owns 100% of the outstanding limited partnership units of Printing Unlimited and controls the general partner thereof. Printing Unlimited is based in Fort McMurray, Alberta.

Allied Cathodic Services L.P.

Allied Cathodic is a limited partnership formed under the laws of the Province of Saskatchewan pursuant to the terms of a limited partnership agreement originally dated September 1, 2007, as amended or restated from time to time. Mosaic, through one or more subsidiaries, indirectly owns 80% of the outstanding limited partnership units of Allied Cathodic and controls the general partner thereof. Allied Cathodic is based in Estevan, Saskatchewan.

Polar Geomatic Solutions L.P.

Polar Geomatic is a limited partnership formed under the laws of the Province of Alberta pursuant to the terms of a limited partnership agreement originally dated December 30, 2009, as amended or restated from time to time. Mosaic, through one or more subsidiaries, indirectly owns 90% of the outstanding limited partnership units of Polar Geomatic and controls the general partner thereof. Polar Geomatic is based in Red Deer, Alberta.

Remote Waste L.P.

Remote Waste is a limited partnership formed under the laws of the Province of Alberta pursuant to the terms of a limited partnership agreement dated August 21, 2008, as amended or restated from time to time. Mosaic, through one or more subsidiaries, indirectly owns or controls 75% of the outstanding limited partner units of Remote Waste and controls the general partner thereof. Remote Waste is based in Sexsmith, Alberta.

Mosaic Capital L.P.

Mosaic Capital L.P. is a limited partnership formed under the laws of the Province of Alberta pursuant to the terms of a limited partnership agreement dated December 13, 2011. Mosaic directly owns 100% of the outstanding limited partnership units of Mosaic Capital L.P. and controls the general partner thereof. The primary activity of Mosaic Capital L.P. is the holding of securities of certain of Mosaic's investees, including Ambassador. The head office of Mosaic Capital L.P. is located at 400, 2424 - 4th Street SW, Calgary, Alberta T2S 2T4.

Ambassador Mechanical Corp.

Ambassador is a corporation formed under the laws of the Province of Manitoba on October 21, 2011. Mosaic, through one or more subsidiaries, indirectly owns 75% of the outstanding common shares of Ambassador. Ambassador is based in Winnipeg, Manitoba.

First West Properties Ltd.

First West, formerly known as Aveiro Investment Corp., was incorporated under the ABCA on June 7, 1996 and its articles were amended on June 24, 1996. First West was an inactive reporting issuer until August 21, 2006 when the board of directors and management were changed and a new business plan was adopted by the board of directors of First West. On February 7, 2008, First West amended its articles and changed its name to First West Properties Ltd. The registered and head office of First West is located at 400, 2424 - 4th Street SW, Calgary, Alberta, T2S 2T4. Mosaic directly owns 100% of the common shares of First West.

OUR BUSINESS

General

Mosaic is an investment company based in western Canada that owns a portfolio of established businesses with unique competitive advantages and that have a history of generating sustainable cash flow from their operations in niche markets. Once acquired, we work with our businesses to grow free cash flow and retained earnings. Mosaic's business model is based on acquiring established businesses, at attractive prices, which Mosaic have a history of sustainable free cash flow. Mosaic manages its risk in an acquisition through extensive due diligence, creative transaction structuring and working closely with our businesses after acquisition. Mosaic invests for the purpose of exercising, or seeking to exercise, control of a business or asset. Mosaic participates at the board of director level within the businesses in which it invests, typically having the right to elect at least a majority of the directors.

Mosaic has focused, and will continue to focus, on positioning the business for improved growth and performance with a view to creating long term value for its shareholders and business partners by pursuing accretive acquisitions, engaging in opportunistic dispositions, and fostering organic growth in existing businesses in a manner that will grow both free cash flow per share and retained earnings. More specifically this has been, and will be, achieved by: (i) acquiring businesses with strong existing management teams; (ii) providing support and advice to the management teams of the acquired businesses to build on their core competencies and track record to help improve profitability and foster growth; (iii) looking for, and encouraging the management teams of the acquired businesses to continue to look for, opportunities to enter new markets, expand the products or services offered, vertically integrate and/or geographically grow; and (iv) selling assets, if and when appropriate, to maximize shareholders' value.

Mosaic's management team has an extensive breadth and depth of experience gained through many years of involvement in numerous aspects of business, including fund management, public and private mergers and acquisitions transactions, corporate restructurings, financings, venture capital and private equity investing, and corporate turn-arounds. This experience allows us to acquire the right businesses with strong management teams who we work with to improve and grow their operations. We provide the companies we acquire with strategic, business, financial, human resource, accounting and legal expertise while at the same time giving the management team the autonomy to continue to operate the business. While management possesses a high degree of specialized skill and knowledge required in connection with managing Mosaic, the assessment of Mosaic is that such skill and knowledge is generally available in the marketplace and, accordingly, the loss of any one of the management team would not have a material impact on the business.

Although the business of Mosaic is not seasonal in nature, the business of some of our subsidiaries is. See "*Our Businesses*" and "*Risk Factors*", below.

As at December 31, 2011, Mosaic, inclusive of all its subsidiaries, had 95 employees. Currently, and largely as a result of the acquisition of the business of Ambassador Mechanical Ltd. in January 2012, Mosaic (on a consolidated basis) has approximately 235 employees.

Acquisition Strategy and Investment Criteria

Mosaic actively looks for businesses in a variety of industries that fit our investment criteria. Mosaic currently believes that there continues to be significant opportunities to make accretive acquisitions of businesses satisfying our criteria.

Our preferred acquisition criteria include the following:

- demonstrated history of growing sustainable cash flow and operating in an industry which we believe has good growth potential;
- a capable and experienced management team that is growth oriented;
- a business with significant market share in its business area;
- a business with a unique competitive advantage; and

- ability to grow the business without significant amounts of new capital.

Acquired businesses operate autonomously and maintain their individual business identities and, accordingly, acquired businesses must have capable management teams. Mosaic provides additional managerial support through its experience in strategy development, human resources, accounting, skills with planning and analysis, depth of industry contracts, and its keen focus on operational and financial discipline.

The market for acquiring or investing in the types of businesses and assets which fit Mosaic's acquisition criteria is a competitive one. However, Mosaic believes that its efforts in sourcing acquisition and investment opportunities fitting its investment criteria, its ability to be flexible and creative in its transaction structuring, its "partnership approach" to its investee businesses, and its ability to contribute strategic, business, financial, human resource, accounting and legal expertise to its investee businesses (while at the same time giving the management teams autonomy to operate the business), are attributes considered attractive to potential business partners. These factors have resulted in past success for Mosaic in acquiring businesses and assets at attractive prices which fit Mosaic's acquisition criteria. Mosaic believes that its continuing efforts and structured approach to acquisitions will continue to result in Mosaic identifying targets fitting its investment criteria which may then lead to successful completion of acquisition transactions.

Alignment of Interests

Mosaic's management believe in the alignment of interest among various stakeholders, including Mosaic, its shareholders and subsidiary company partners as well as Mosaic's management team and the employee group. Mosaic's management team and employee group have a significant ownership of Mosaic Common Shares and Preferred Securities.

Our Businesses

Presently Mosaic has two reportable operating segments, being (i) real estate, and (ii) industrial. On a combined basis within those two operating segments, Mosaic indirectly owns all of, or a material controlling interest in, six businesses.

Reportable Operating Segments

<u>Real Estate</u>

Based in Calgary, Alberta, First West is wholly-owned by Mosaic and holds a portfolio of real estate assets in secondary markets in western Canada. First West identifies and acquires, directly or indirectly, real estate with the prospects for stable cash flow and short and medium term price appreciation potential. First West adds value to the properties it acquires through, among other things, leasing vacant space, re-leasing upon renewal at market rates, and moving land through the land use planning process.

<u>Industrial</u>

Mosaic also holds a portfolio of businesses within its industrial segment, each of which has a history of generating cash flow from their operations in niche markets.

- Printing Unlimited (100% ownership) is based in Fort McMurray, Alberta, and prints, among other things, marketing and promotional materials, annual reports, operation manuals and handbooks, safety tags, stationary, carbonless forms, and photocopies.

- Allied Cathodic (80% ownership) is based in Estevan, Saskatchewan, and installs, maintains and replaces cathodic protection systems for oil and gas production facilities in southeast Saskatchewan and southwest Manitoba.

- Polar Geomatic (90% ownership) is based in Red Deer, Alberta, and principally provides a web based, proprietary landowner information database system. The system is used primarily by pipeline companies to simplify compliance with stakeholder notification and emergency response planning requirements under applicable legislation.

- Remote Waste (75% ownership) is based in Sexsmith, Alberta, and manufactures and leases biological wastewater treatment units used for remote work camps.

- Ambassador Mechanical (75% ownership) is based in Winnipeg, Manitoba, and provides mechanical equipment provisioning and installation services in areas ranging from plumbing and gas fitting to heating, ventilation and air conditioning.

Revenue by Reportable Operating Segment

With respect to each of the two most recently completed financial years for Mosaic, 2011 and 2010, the following table sets forth, by reportable operating segment, the percentage of Mosaic's total consolidated revenue which has been earned from products or services (with specific identification of the category) from sales to customers outside of the Mosaic group, where such revenue exceeds 15% of Mosaic's total consolidated revenue:

Revenue Source(1)	**2011 - Revenue %**	**2010 - Revenue %**
Real Estate(2)		
Industrial		
Oilfield Products/Services	71%	74%
Non-Oilfield Products/Services	23%	26%
Other(3)	6%	Nil
Total Consolidated Revenue	100.00%	100.00%

Notes:

(1) Mosaic does not derive any revenue from (i) sales to joint ventures in which Mosaic is a participant or to entities in which Mosaic has an investment accounted for by the equity method or (ii) sales or transfers to controlling shareholders of Mosaic.
(2) No source of revenue (product or service) from the real estate segment accounted for 15% or more of Mosaic's total consolidated revenue. Accordingly, such revenue is included in "Other" above.
(3) Revenue from each category of product or service that does not account for 15% or more of Mosaic's total consolidated revenue has been aggregated together, irrespective of the reportable operating segment it is generated within.

A summary description of each of the operating businesses within both of the Mosaic operating segments is set forth below:

Printing Unlimited

On February 1, 2007, the Fund indirectly acquired all of the printing business assets (the "**Printing Business**") of Printing Unlimited. Mosaic indirectly owns a 100% interest in Printing Unlimited. Printing Unlimited is located in Fort McMurray, Alberta. Printing Unlimited prints, among other things, marketing and promotional materials, annual reports, operation manuals and handbooks, safety tags, stationary, carbonless forms, and black and white and color photocopies for over 250 active customers including most of the largest oil sand development and production companies. Additionally, Printing Unlimited provides graphic design and typesetting services to its customers and operates a sign manufacturing division. The business has been in operation since 1984.

Printing Unlimited has three departments: printing, reproduction and signs. Operations in the printing department include: (i) pre-press procedures such as graphic design, layout, artwork and typesetting; (ii) full colour offset and digital printing on four presses where images are reproduced onto paper, foil, plastic and other materials; and (iii) bindery or finishing procedures such as folding, stitching, trimming, cutting, punching and perforating. The reproduction department reproduces images on high speed black and white and color photocopiers and manufactures decals, signs, banners and photo images up to 48 inches wide.

Printing Unlimited has 13 employees as of March 31, 2012 consisting of a general manager and an assistant manager, estimators, press operators, pre-press, bindery, reproduction, sign manufacturing and administrative personnel. The loss of any one of the managers could impair the ability of Printing Unlimited to operate at its optimum level of performance for a period of time as it is expected that it would be difficult, time-consuming and potentially costly to find a suitable replacement. The assessment of Mosaic is that the skill and knowledge pertaining to the balance of the labour force at Printing Unlimited is generally available in the marketplace however due to the current strength and competitiveness of the labour market, combined with Fort McMurray, Alberta being a smaller more remote centre, replacement of qualified personnel may not occur as timely as is optimal for the business. These labour force factors could have an impact on the performance of the business, the effect of which could be material.

Sales in the business are generated through existing relationships as well as from new business developed principally through face to face sales calls. Almost all of the revenue of Printing Unlimited is generated from clients located within a 60 mile radius of Fort McMurray, Alberta. Although the commercial printing business is a competitive business, the combination of being located in a fairly remote location, offering superior service and being part of the local community for 28 years with local relationships, all serve to lessen the degree of the competitive pressures which Printing Unlimited is subject to as might otherwise be the case if it were located in other larger centres. Mosaic's assessment is that Printing Unlimited is a market leader in the printing business in the Fort McMurray area.

In general, for day to day operations, the materials and component parts necessary for Printing Unlimited to conduct its business are readily available from multiple sources in multiple locations which also assists in keeping such materials and components competitively priced in the marketplace. As a result of these factors, Mosaic does not assess there to be any material risk to the supply and/or pricing of components or materials which could materially impact or impede the business.

Allied Cathodic

Effective September 1, 2007, the Fund indirectly acquired the business of Allied Cathodic Services Estevan Ltd. which is now carried on by Allied Cathodic. Mosaic indirectly owns an 80% interest in Allied Cathodic. Allied Cathodic installs, maintains and replaces cathodic protection systems for oilfield well casings and steel flow lines primarily in southeast Saskatchewan and southwest Manitoba. The majority of oil wells and steel flow lines in south eastern Saskatchewan and south western Manitoba have cathodic protection systems installed on them to protect them from corrosion.

Allied Cathodic has been in operation since 2000 and, as at March 31, 2012, has 16 employees. Allied Cathodic's customer base consists of more than 100 customers and it provides cathodic protection maintenance and services on over 14,000 wells. Allied Cathodic's business is subject to seasonality. The busiest period for the business is approximately from the beginning of April to the end of November in each year, with the winter months of December through March generating substantially less revenue in comparison.

The loss of any of the key senior personnel at Allied Cathodic could impair the ability of the business to operate at its optimum level of performance for a period of time as it is expected that it would be difficult, time-consuming and potentially costly to find a suitable replacement. The assessment of Mosaic is that the specialized skill and knowledge pertaining to some of the non-management positions at Allied Cathodic is available in the marketplace however due to the current strength and competitiveness of the labour market, combined with Estevan, Saskatchewan being a smaller more remote centre, replacement of such skilled personnel may not occur as timely as is optimal for the business. These labour force factors could have an impact on the performance of the business, the effect of which could be material.

Sales in the business are generated through existing relationships as well as from new business developed principally through face to face sales calls. Allied Cathodic is strategically located in Estevan, Saskatchewan, which is centrally located amongst the major oil producing fields in the region. Although the cathodic protection business is a competitive business, the combination of being located in Estevan, offering superior service and being part of the local community for 12 years with local relationships, all serve to somewhat lessen the degree of the competitive pressures which Allied is subject to in its market. Mosaic's assessment is that Allied Cathodic is the local market leader in the cathodic protection business in the south-eastern Saskatchewan area.

In general, for day to day operations, the materials and component parts necessary for Allied Cathodic to conduct its business are readily available from multiple sources in multiple locations which also assists in keeping such materials and components competitively priced in the marketplace. As a result of these factors, Mosaic does not assess there to be any material risk to the supply and/or pricing of components or materials which could materially impact or impede the business.

Polar Geomatic

On May 15, 2008, the Fund indirectly acquired the business which is now carried on by Polar Geomatic. Mosaic indirectly owns a 90% interest in Polar Geomatic. Polar Geomatic has been in operation since 2003 and is head-quartered in Red Deer, Alberta.

Polar Geomatic provides services to create and maintain stakeholder information associated with an asset or project along with providing a web-based Landowner Information Database ("**LOID**") system to manage this information. The LOID system is a custom software application developed by Polar Geomatic which is, in part, a spatially referenced database of stakeholders and emergency response plan contact information. Polar Geomatic's services and the LOID system are primarily used by pipeline companies to facilitate stakeholder notifications and ensure compliance with landowner consultation and emergency response planning requirements under applicable legislation. Although the geomatic information systems business (GIS) is a competitive business, the assessment of Mosaic is that the LOID system is relatively unique in the marketplace and offers Polar Geomatic a competitive advantage over others vying for the same business from the customers which Polar Geomatic targets.

As of March 31, 2012 Polar Geomatic has a staff of 16 people comprised of geomatics specialists, software programmers and administrative personnel for data entry and direct stakeholder contact. While certain positions within Polar Geomatic require specialized skill and knowledge (geomatics specialists), the assessment of Mosaic is that such skill and knowledge is generally available in the marketplace, however due to the current strength and competitiveness of the labour market replacement of qualified personnel may not occur as timely as is optimal for the business which could have an impact on the performance of the business, the effect of which could be material.

Sales in the business are generated through existing relationships as well as from new business developed principally through face to face sales calls. To date, the principal market for Polar Geomatic has been focussed on Alberta based businesses, however, given the nature of the business and services, Polar Geomatic views extra-territorial sales as a real opportunity.

In general, for day to day operations, the materials and component parts necessary for Polar Geomatic to conduct its business are readily available from multiple sources in multiple locations which also assists in keeping such materials and components competitively priced in the marketplace. As a result of these factors, Mosaic does not assess there to be any material risk to the supply and/or pricing of components or materials which could materially impact or impede the business.

Remote Waste

Mosaic indirectly owns a 75% interest in Remote Waste which Mosaic acquired in September 2008. Remote Waste is engaged in the manufacture and leasing of modular wastewater treatment systems (the "**Remote Units**") used primarily at temporary work camps. The Remote Units are designed for treatment of sewage in remote areas and will treat wastewater for locations housing from 10 up to 100 people. The Remote Units are installed, maintained and removed from a customer's location by Remote Waste's field technicians. The majority of Remote Waste's business is related to supporting work camps used for oil and natural gas exploration.

As of March 31, 2012, Remote Waste has 37 employees. Remote Waste's business is subject to seasonality. The busiest period for the business is approximately from the beginning of October through to the end of April in each year, with the summer months generating less revenue in comparison.

The loss of a senior manager at Remote Waste could impair the ability of the business to operate at its optimum level of performance for a period of time as it is expected that it would be difficult, time-consuming and potentially costly to find a suitable replacement. The assessment of Mosaic is that the skill and knowledge pertaining to the balance of the labour force at Remote Waste is generally available in the marketplace however due to the current strength and competitiveness of the labour market, combined with Sexsmith, Alberta being a smaller more remote centre, replacement of qualified personnel may not occur as timely as is optimal for the business. These labour force factors could have an impact on the performance of the business, the effect of which could be material.

Sales in the business are generated through existing relationships as well as from new business developed principally through face to face sales calls. Remote Waste is strategically located in Sexsmith, Alberta, which is in reasonable proximity to northern Alberta oil and gas exploration and development activities. Remote Waste also provides services to exploration camps in northern British Columbia. Although there are a number of competitors to the services provided by Remote Waste, the assessment of Mosaic is that Remote Waste is one of the leaders in its niche market and has an opportunity to continue to grow and expand.

In general, for day to day operations, the materials and component parts necessary for Remote Waste to conduct its business are readily available from multiple sources in multiple locations which also assists in keeping such materials and components competitively priced in the marketplace. As a result of these factors, Mosaic does not assess there to be any material risk to the supply and/or pricing of components or materials which could materially impact or impede the business.

Ambassador Mechanical

Effective January 1, 2012 Mosaic indirectly acquired a 75% interest in the business now carried on by Ambassador. Ambassador provides mechanical equipment provisioning and installation services in areas ranging from plumbing and gas fitting to heating, ventilation and air conditioning. Ambassador has been servicing customers in Manitoba and south-west Ontario areas since 1991 and currently employs over 130 trades people in its sheet metal, plumbing and hydronic piping divisions (151 people employed in the business as of March 31, 2012). Ambassador presently focuses almost exclusively on mechanical contracting work for larger commercial and industrial projects in the Manitoba and south-west Ontario markets, however management is actively continuing to look for opportunities to expand its service offering and its geographical markets. The assessment of Mosaic is that Ambassador has the ability to continue to grow and expand.

Contracted work on commercial and industrial projects is generated primarily through existing relationships and Ambassador's established credibility and reputation in the marketplace for quality work. Ambassador's close partnerships with its clients, excellent customer service and understanding of the need to deliver an efficient and innovative service keep it at the forefront of the industry. While the mechanical contracting industry is a competitive one, Mosaic believes that Ambassador has been able to establish itself, within the Manitoba region, as one of the leading commercial and industrial mechanical contractors.

Although work generally slows down somewhat in December and January, and the level of work can be impacted by general economic conditions in the Manitoba and southwestern Ontario markets, Ambassador's business is not considered seasonal in nature.

Although specialized skill and knowledge is required in connection with a number of the positions within Ambassador in order to carry out its operations, the assessment of Mosaic is that such skill and knowledge is generally available in the marketplace and, accordingly, the loss of any one of the personnel or management, apart from the President, Claude Cloutier, would not have a material impact on the business. Due to the depth of knowledge of Mr. Cloutier concerning the business carried on by Ambassador and his longevity of business dealings in Ambassador's markets together with the strength of his client relationships, Mosaic believes that the loss of Mr. Cloutier in the near term could have a material impact on the business for a period of time. Mosaic's assessment is that the second level of senior management could continue to effectively operate the business in the absence of Mr. Cloutier and over time minimize the impact of his loss.

In general, for day to day operations, the materials and component parts necessary for Ambassador to carry on its business are readily available from multiple sources in multiple locations which also assists in keeping such materials and components competitively priced in the marketplace. As a result of these factors, Mosaic does not assess there to be any material risk to the supply and/or pricing of components or materials which could materially impact or impede the business.

First West

Mosaic owns a 100% interest in First West which it acquired on May 1, 2011 pursuant to the Arrangement. First West identifies and acquires, directly or indirectly, real estate with the prospects for stable cash flow and short and medium term price appreciation potential. First West adds value to the properties it acquires through, among other things, leasing vacant space, re-leasing upon renewal at market rates, and moving land through the land use planning process. First West's management looks for opportunities to acquire assets which provide income or to which management can conduct activity to provide fundamental value growth. First West primarily focuses on building a portfolio of real estate assets in secondary markets in western Canada (being centres other than Vancouver, Calgary and Edmonton).

The success of First West has largely been a consequence of the specialized skill, knowledge and discipline of First West's senior management in respect to sourcing, identifying and capitalizing on opportunities. Further, as the business of investing in commercial real estate is a competitive one, it is this same management skill and discipline that is an important factor in being able to attract good tenants, negotiate attractive leasing terms, and ultimately secure attractive purchase and sale prices for First West's acquisitions and divestitures, all of which are important factors in the overall returns generated by the business. If First West were to lose its existing senior management (in particular, its President, Eric Wesling), it is expected that it would be difficult, time-consuming and costly to find suitable replacements. As at the end of the most recently completed financial year, First West had two full-time employees.

First West typically acquires properties of the following nature: (i) commercial, industrial, retail, office and mixed use properties, and (ii) non income-producing assets (vacant land). Currently First West owns three income-producing properties, two properties located in Lethbridge, Alberta and one located in Fort McMurray, Alberta. These properties comprise approximately 200,000 square feet of rentable space, of which approximately 195,000 square feet (98%) was leased to tenants as at December 31, 2011 on leases expiring between 2012 and 2020. Management is not anticipating any material adverse changes to the business as a result of renegotiations, terminations or other changes in respect of its lease portfolio. Any changes are presently expected to be in the ordinary course of business.

Bankruptcy and Similar Procedures

There have been no bankruptcy, receivership or similar proceedings against Mosaic or any of its subsidiaries, or any voluntary receivership, bankruptcy or similar proceeding by Mosaic or any of its subsidiaries within the three most recently completed financial years or completed during, or proposed for, the current financial year.

Material Reorganization

Other than the Arrangement, Mosaic has not completed a material reorganization within the three most recently completed financial years or completed during, or proposed for, the current financial year.

Social or Environmental Policies

Mosaic has not implemented social or environmental policies that are fundamental to its operations.

GENERAL DEVELOPMENT OF MOSAIC'S BUSINESS

The following describes how Mosaic's business has developed over the last three completed financial years. Apart from acquisitions and dispositions of businesses and assets in the normal course of its investment business, Mosaic does not anticipate any material changes to its business during the balance of 2012.

2012

On January 19, 2012, Mosaic announced that the Board of Directors had adopted a policy regarding the payment of quarterly dividends on the Common Shares in such amount as the Board of Directors may from time to time determine. On that same day, Mosaic announced that the Board of Directors had declared an initial quarterly cash dividend for its Common Shares of $0.02 per share to be paid on February 15, 2012 to holders of record on January 31, 2012. On April 18, 2012 Mosaic announced that the Board of Directors had declared another cash dividend for its Common Shares in the amount of $0.03 per share to be paid on May 15, 2012 to holders of record on April 30, 2012.

On January 9, 2012, Mosaic announced the completion of its acquisition of a 75% interest in the business now carried on by Ambassador. The cost of such acquisition was $14,625,000, which was funded through a combination of cash and vendor take back financing. As of the date of this AIF, $3,320,151 of the purchase price remains outstanding. This amount bears interest at the rate of 5% per annum, compounded annually, with monthly payments of principal and interest in the amount of $107,895. Ambassador is based in Winnipeg, Manitoba and is a leading private commercial and industrial mechanical contractor providing mechanical equipment provisioning and installation services in areas ranging from plumbing and gas fitting to heating, ventilation and air conditioning.

2011

On December 22, 2011, Mosaic entered into an acquisition agreement regarding the acquisition of the business being carried on by Ambassador Mechanical Ltd.

On November 9, 2011, Mosaic completed the sale of its Eastview shopping centre located at 3010/3020 Arlington Avenue, Saskatoon, Saskatchewan for aggregate consideration of $4,875,000. First West purchased the Arlington Avenue property in August 2008 for $3,090,000. The proceeds were used to pay out the mortgage on the property of $1,895,000 and $2,980,000 was added to Mosaic's working capital.

On June 22, 2011, Mosaic completed the sale of its Wentz Avenue commercial property located in Saskatoon, Saskatchewan, for $4,932,500. First West purchased the Wentz Avenue property in December 2007 for $2,630,000. A portion of the proceeds were used to pay the mortgage on the property of $1,542,000.

On May 27, 2011, Mosaic announced a $0.0833 monthly cash distribution in respect of its Preferred Securities to be paid on June 15, 2011 to holders of record as of May 31, 2011. Monthly distributions in the amount of $0.0833 per Preferred Security have continued to be paid.

On May 19, 2011, Mosaic announced that it would commence a normal course issuer bid for its Common Shares on May 26, 2011 and that it would also commence market purchases of Preferred Securities pursuant to the Preferred Securities Indenture. Pursuant to its normal course issuer bid, Mosaic may acquire, over a 12 month period ending May 26, 2012, a maximum of 406,684 Common Shares (which represents approximately 5% of the issued and outstanding Common Shares as at May 19, 2011). With regard to market purchases of Preferred Securities, there is no limit on the amount or number of Preferred Securities to be purchased or a set date upon which purchases of Preferred Securities must cease.

On May 9, 2011, the Common Shares and Preferred Securities commenced trading on the TSX-V.

In April 2011, at the special meetings of the Fund and First West, the securityholders of the Fund and First West adopted special resolutions approving the combination of the Fund and First West pursuant to the Arrangement. Court approval for the Arrangement was obtained on April 28, 2011 and the Arrangement was completed on May 1, 2011. Upon completion of the Arrangement, the Fund and First West became wholly-owned subsidiaries of Mosaic, which now supervises and oversees their respective businesses.

The Arrangement resulted in the exchange of all the issued and outstanding securities of the Fund and First West for securities of Mosaic. More specifically:

- each common trust unit of the Fund was exchanged for 1,631.7 common shares of Mosaic;
- each preferred trust unit of the Fund was exchanged for one Preferred Security and 0.143 of a Common Share;
- each common share of First West was exchanged for 0.154 of a Common Share and 0.077 of a Preferred Security;
- the Mosaic DRIP became effective and all existing participants in the distribution reinvestment plan of the Fund who exchanged preferred trust units of the Fund for Preferred Securities became participants in the Mosaic DRIP with regard to such securities;

- all of the common share options of First West were terminated and cancelled and Unit Options were issued to former holders of options on the basis that, for each common share entitled to be purchased under the First West options cancelled, the holders received one Unit Option; each Unit Option entitling the holder to purchase 0.154 of a Common Share and 0.077 of a Mosaic Series A Share; and
- Mosaic's share-based compensation plan was implemented.

Following the completion of the Arrangement, the former securityholders of the Fund and First West became the securityholders of Mosaic.

Mosaic was incorporated under the ABCA on February 11, 2011 for the purpose of participating in the Arrangement. In March 2011, the Fund and First West announced their intention to ask their securityholders to approve the combination of the Fund and First West into a new publically traded company, Mosaic, pursuant to the Arrangement. The combination of the Fund and First West was proposed in order to provide liquidity for securityholders of the Fund and First West as well as increase the ability to access capital for future transactions.

On February 14, 2011, First West completed the sale of its industrial warehouse property located at 807/809 50th Street East Saskatoon, Saskatchewan for aggregate consideration of $2,650,000. The property was acquired for $2,000,000 in August 2007.

2010

On December 23, 2010, First West completed the sale of the 50th Street property located in Saskatoon, Saskatchewan for a price of $2,650,000 less disposal costs of $3,000. A gain of $740,181 was recorded on the sale.

On October 1, 2010, First West completed the sale of the Mic Mac Plaza property located in Lethbridge, Alberta for a price of $4,150,000 less disposal costs of $138,000. A gain of $1,420,000 was recorded on the sale.

On August 31, 2010, First West completed the sale of the Henderson Drive property located in Regina, Saskatchewan for a price of $1,500,000 less disposal costs of $73,000. First West purchased the Henderson Drive property in February 2010 for $975,000. A gain of $398,000 was recorded on the sale.

On June 18, 2010, First West completed the sale of its Molaro Place property located in Saskatoon, Saskatchewan for a price of for $3,650,000. First West purchased the Molaro Place property in February 2010 for $2,525,000. A gain of $1,125,000 was recorded on the sale.

2009

On December 7, 2009, First West completed the purchase of a light industrial building located in Fort McMurray, Alberta for a purchase price of $7 million.

On September 29, 2008, First West completed the sale of its Airdrie industrial land for $9,680,000 and First West agreed, as part of the transaction, to finance approximately $7,945,000 of the purchase price which was secured by a mortgage on the Airdrie land at an interest rate of 7% per annum and which provided for full repayment over approximately nine (9) months. On April 2, 2009, First West announced that it had entered into a forbearance agreement with the purchaser of the Airdrie land after the purchaser went into default on the mortgage following repayment of approximately $5.1 million on the mortgage. On or about September 18, 2009, First West received payment of the full balance of mortgage owing plus interest together with a renegotiation fee of $84,000. A gain of $1,550,697 was recorded on the sale.

RISK FACTORS

Mosaic and its subsidiaries are subject to a number of risks and uncertainties and those described below are not the only risks and uncertainties we face. Additional risks and uncertainties not currently known to Mosaic or that Mosaic currently deems immaterial may also adversely impact Mosaic's business, results of operations, financial condition or cash flow, and such impact may be material. Any of the matters highlighted in these risk factors could have a material adverse effect on Mosaic's business, results of operations, financial condition or cash flow (including Mosaic's ability to make distributions, dividends or other payments to its securityholders).

Risk Factors Related to Mosaic Generally

Economic and Political Conditions

Changes in economic conditions, including, without limitation, recessionary or inflationary trends, commodity prices, equity market levels or strength, consumer credit availability, interest rates, consumers' disposable income and spending levels, job security and unemployment, and overall consumer confidence could have a material adverse effect on Mosaic's business, financial condition, results of operations or cash flows. In addition, economic and business conditions in our markets may be affected by disruptions in the financial markets caused by political or other events and such affects may adversely impact Mosaic's business, financial condition, results of operations or cash flows.

Competition

Mosaic faces competition for acquisition candidates which may increase acquisition prices and reduce the number of suitable acquisitions that will be completed by Mosaic. Some of Mosaic competitors are substantially larger and have access to greater financial resources. Competitors may have also have a lower cost of funds and access to funding sources that are not available to Mosaic. If Mosaic is not able to compete effectively in this regard, its future growth may be negatively impacted.

Acquisition Risk

Mosaic's future growth depends in large part on its ability to acquire additional businesses or interests therein and manage expansion and control costs in its operations. Mosaic’s securityholders are dependent on the ability of Mosaic’s management to identify, acquire and develop suitable acquisition targets. In pursuing a strategy of acquiring other businesses, Mosaic faces risks commonly encountered with growth through acquisitions. These risks include, but are not limited to, incurring undiscovered liabilities within the acquired businesses, diverting Mosaic's management resources, impairing relationships with employees, suppliers and/or customers as a result of changes arising from the acquisition, and incorrectly valuing acquired entities. In addition, although Mosaic will conduct a prudent level of investigation regarding the operating condition of the businesses it purchases, in light of the circumstances of each transaction, an unavoidable level of risk remains regarding the actual operations and operating condition of these businesses. If these risks cannot be adequately managed, the result could be a material adverse effect on Mosaic's business, financial condition, results of operations or cash flows.

An unsuccessful acquisition could have a material adverse impact on Mosaic or its results of operations or financial condition. For greater certainty, Mosaic securityholders will be totally dependent upon Mosaic's management and its directors in making investment decisions, managing growth and controlling costs.

Unknown Liabilities

By acquiring businesses and assets, Mosaic may have assumed unknown liabilities for which it may not be indemnified by the seller. The discovery of any material liabilities could have a material adverse effect on the business, financial condition, results of operations or cash flows of Mosaic and its subsidiaries.

Cash Flow from Subsidiaries

Mosaic is entirely dependent on the operations of its subsidiaries to generate income and support its ability to make interest payments on the Preferred Securities, pay dividends in respect of its Common Shares, and to pay operating expenses. Mosaic's ability to generate income is affected by the profitability, fluctuations in working capital, margin sustainability and capital expenditures of its subsidiaries. Although Mosaic's subsidiaries intend to distribute some amount of their cash available for distribution, there can be no assurance regarding the amounts of income and cash flow to be generated by them and the amounts to be paid to Mosaic. The failure of any subsidiary to make its anticipated distributions could adversely impact Mosaic's financial condition and cash flows and therefore payments to holders of Preferred Securities and the ability to declare and pay dividends in respect of the Common Shares.

Failure to Realize Benefits of Acquisitions

Mosaic may not realize the anticipated benefits of one or more of its acquisitions, or may not realize them in the time frame expected. Mosaic cannot provide assurance that, following completion of an acquisition, it will be able to grow or even sustain the cash flow generated by that acquired business. Difficulties encountered as a result of an acquisition may prove problematic to overcome such as, without limitation, the inability to integrate, train, retain and motivate key personnel of the acquired business, the inability to retain business relationships with current customers, and difficulties with adoption or implementation of needed standards, controls, processes and systems.

Dependence on Key Personnel

The success of Mosaic and its investments depend upon the personal efforts of a small group of senior management. Although Mosaic believes it will be able to replace key employees within a reasonable time should the need arise, the loss of key personnel could have a material adverse effect on Mosaic's business, financial condition, liquidity and results of operations. Mosaic does not carry any "key man" insurance.

Lack of Diversification

Currently Mosaic has made six investments: five within its Industrial business segment and one within its real estate business segment. All of the businesses and assets are currently concentrated in Manitoba, Alberta and Saskatchewan, and three of the businesses are directly oilfield service related. There is no assurance that these current businesses will continue to generate sufficient earnings to pay distributions and dividends to securityholders of Mosaic. Mosaic does not have any specific limits on holdings in businesses in any one industry and Mosaic has not adopted any fixed guidelines for diversification. As a result, Mosaic’s portfolio may be subject to more rapid changes in value than would be the case if Mosaic was more broadly diversified by industry and geography.

Regulation and Change in Law

Mosaic and its subsidiaries are subject to a variety of laws and regulations and may become subject to additional laws, regulations and guidelines in the future, particularly as a result of acquisitions. The financial and managerial resources necessary to ensure such compliance could escalate significantly in the future which could have a material adverse effect on Mosaic's business, financial condition, results of operations and cash flows. It is not possible for Mosaic to predict the cost or impact of such laws and regulations on their respective future operations.

Legal, tax and regulatory changes may occur that can adversely affect Mosaic and/or the Mosaic securityholders. There can be no assurance that income tax, securities and other laws will not be changed in a manner which adversely affects Mosaic and/or the Mosaic securityholders.

Liquidity

Liquidity risk is the risk that Mosaic will not be able to meet its financial obligations when they come due. Mosaic's principal source of funds is cash generated from its subsidiaries. It is expected that funds from these sources will provide it with sufficient liquidity and capital resources to meet its current and future financial obligations at existing business levels. Despite such expectations Mosaic may require additional equity or debt financing to meet its financial and operational requirements. There can, however, be no assurance that this financing will be available when required or available on commercially favourable terms or on terms that are otherwise satisfactory to Mosaic, in which event the financial condition, results of operation or cash flow of Mosaic may be materially adversely affected and the amount of cash available for interest payments or dividends to Mosaic securityholders may be reduced.

Availability of Financing

Mosaic may require additional capital to implement its business plan and objectives. There can be no assurance that debt or equity financing will be available or sufficient to meet the requirements of Mosaic to implement its objectives or, if debt or equity financing is available, that it will be on terms acceptable to Mosaic.

Legal Proceedings

Mosaic and its subsidiaries may, from time to time, be subject to legal proceedings (including claims and litigation) and any losses flowing therefrom may not be covered by our liability insurance. Such proceedings could result in significant losses and have a material adverse effect on Mosaic's business, financial condition, results of operations or cash flows.

Potential Conflicts of Interest

Certain of the directors and officers of Mosaic are also directors and officers of other entities, or are otherwise engaged, and will continue to be engaged, in activities that may put them in conflict with the business strategy of Mosaic. Consequently, there exists the possibility for such directors and executive officers to be in a position of conflict. Conflicts, if any, will be subject to the procedures and remedies available under the ABCA.

Debt Securities

Mosaic may invest in debt securities. Debt securities are subject to the risk of the issuer's inability to meet principal and interest payments on its obligations and are subject to price volatility due to facts such as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity. In addition, Mosaic may invest in instruments that have a credit quality below investment grade by internationally recognized credit rating organizations or may be unrated, which typically involve greater risk than higher grade issuers.

Tax Consequences

There may be an enactment, promulgation or public announcement of a change or proposed change in tax law (including a specific proposal to amend the Tax Act publicly announced by the Department of Finance of Canada or the Minister of Finance of Canada) or applicable case law or written and published interpretative guidance or policy of the CRA or provincial equivalent that could result in a material impairment of, or materially adversely affect, the operations or financial or tax position of Mosaic or its subsidiaries.

Elections have been made under the Tax Act such that certain transactions pursuant to which Mosaic acquired businesses or assets may be effected on a tax-deferred basis. The adjusted cost base of any property transferred to a subsidiary pursuant to acquisition agreements may be less than its fair market value, such that a gain may be realized on the future sale of the property.

The acquisitions of businesses and assets by Mosaic involve various structuring events to complete the transactions in a tax efficient manner. These transactions involve interpretations of the Tax Act which could, if interpreted differently or challenged, result in additional tax liabilities to Mosaic and its subsidiaries.

Risks Related to Ownership of Mosaic Securities

Ownership of Common Shares

There is no certainty as to any future dividend payments by Mosaic. Mosaic is not obligated to pay dividends on the Common Shares. The funds available for the payment of dividends (if any) will be dependent upon, among other things, income and cash flow generated by Mosaic through its subsidiaries, financial requirements for Mosaic's operations and the execution of its growth strategy, and the satisfaction of solvency tests imposed by the ABCA for the declaration and payment of dividends. Further, Mosaic's ability to pay dividends to holders of Common Shares will be subject to applicable laws and to any prior right to dividend, interest or other distribution payments in favour of any other securityholders, including the holders of Preferred Securities.

No Guarantee of Interest Payments on Preferred Securities

The Preferred Securities bear simple interest at a rate of $1.00 per annum which is currently paid monthly ($0.0833 per Preferred Security) in arrears. Although interest payable on the Preferred Securities will be cumulative and non-compounding, Mosaic may indefinitely defer payment of all or part of any accrued interest otherwise due on an interest payment date in accordance with the terms of the Preferred Securities Indenture. There can be no assurance regarding the amount of income and cash flow generated by Mosaic and its subsidiaries. The ability of Mosaic to pay interest on the Preferred Securities and the actual amount paid are entirely dependent on the operations and assets of Mosaic and its subsidiaries, and are subject to various factors including financial performance, payment obligations under existing agreements, the sustainability of income and cash flow derived from operations and capital expenditure requirements. Mosaic may be required to use part of its debt capacity, or reduce or defer interest payments, in order to address such factors. The market value of the Preferred Securities will significantly deteriorate if Mosaic is unable to make the interest payments on the Preferred Securities.

Subordination of Preferred Securities

The obligations under the Preferred Securities constitute unsecured and subordinated obligations of Mosaic. The terms of the Preferred Securities and Preferred Securities Indenture do not restrict the incurring of additional indebtedness by Mosaic, or its subsidiaries or affiliates, whether secured or unsecured and ranking senior, *pari passu* or junior to the Preferred Securities. In the event of a bankruptcy, liquidation or reorganization of Mosaic or any of its subsidiaries, holders of its indebtedness and its trade creditors will generally be entitled to payment of their claims from the assets of Mosaic and its subsidiaries before any assets are made available for distribution to Mosaic or its holders of Preferred Securities. The Preferred Securities are and will be subordinated to the debt and other obligations of Mosaic and its subsidiaries. As a result, holders of Preferred Securities may not receive any payment on their Preferred Securities in the event of insolvency or winding-up of Mosaic.

Non-Redeemable Preferred Securities

The Preferred Securities are non-redeemable and holders of Preferred Securities will not be able to liquidate their investments by exercising redemption rights.

Return Not Certain

There is no guarantee that an investment in securities of Mosaic will earn any positive return in the short or long term. An investment in Common Shares or Preferred Securities may be more volatile and risky than some other forms of investment. All prospective investors should consider an investment in Mosaic within the overall context of their investment policies and objectives.

Public Markets and Share Prices

The market price of the Common Shares and/or the Preferred Securities could be subject to significant fluctuations in response to variations in Mosaic's operating results or other factors. In addition, fluctuations in the stock market may adversely affect the market price of the Common Shares and/or the Preferred Securities regardless of the operating performance of Mosaic. Securities markets have also experienced significant price and volume fluctuations from time to time. In some instances, these fluctuations have been unrelated or disproportionate to the operating performance of issuers. Market fluctuations may adversely impact the market price of the Common Shares and/or the Preferred Securities. There can be no assurance of the price at which either the Common Shares or the Preferred Securities will trade.

Additional Issuances and Dilution

Mosaic may issue and sell additional securities of Mosaic, including Preferred Securities, Common Shares and other securities of Mosaic to finance its operations or future acquisitions. Mosaic cannot predict the size of future issuances of securities of Mosaic or the effect, if any, that future issuances and sales of such securities will have on the market price of any securities of Mosaic. Sales or issuances of substantial amounts of securities of Mosaic, or the perception that such sales could occur, may adversely affect prevailing market prices for securities of Mosaic. With any additional sale or issuance of securities of Mosaic, holders will suffer dilution with respect to voting power and may experience dilution in Mosaic's earnings per share.

Risks Related to the Mosaic Subsidiaries

Investment Risk

Mosaic routinely evaluates and considers a wide array of potential transactions, including joint ventures, business combinations, acquisitions and dispositions of businesses, service or product offerings or acquisitions and other asset transactions. At any given time Mosaic may be engaged in discussions or negotiations with respect to one or more of these types of transactions. Any of these transactions could be material to Mosaic's financial condition, results of operations or cash flow. The process of integrating any acquired business may create unforeseen operating difficulties and expenditures and is itself risky. The areas where Mosaic from time to time faces cost, risk and/or difficulty, which may be material in scoop and degree, include:

(a) diversion of an excessive amount of Mosaic management time to manage issues in any one or more operating subsidiaries;

(b) a shift of focus of Mosaic management, or that of a subsidiary's management, away from core operating and business strategies and priorities, to the matters of, and issues related to, integration, administration or unforeseen business or operating issues;

(c) declining employee morale and retention issues resulting from changes in compensation, management, reporting relationships, future prospects or the direction or culture of the business;

(d) the need to integrate each subsidiary's accounting, management, information, human resource and other administrative systems to permit effective management, and the resulting lack of control if such integration is delayed or not implemented;

(e) having to deal with acquired entities which often lack sufficient or effective business and financial controls, procedures, policies and operational oversight thereby increasing the risk of liabilities arising from activities of the acquired business (and its personnel) for matters both before and/or after the acquisition, including violations of laws, rules and regulations, commercial disputes, tax liabilities and other known and unknown liabilities. Implementation of appropriate business and financial controls is generally paid out of operating cash flows which may reduce cash flow available for Mosaic's other business operation, new business opportunities or Mosaic's securityholders;

(f) being able to garner the time, effort and commitment (buy-in) from existing personnel of an acquired business which is required in order to effectively implement controls, procedures and policies appropriate for that acquired business which, prior to the acquisition, had lacked such controls, procedures and policies; and

(g) the risk of liabilities and contingencies arising which are not discovered prior to consummation of an acquisition, including in respect of those businesses already acquired by Mosaic as of the date of this AIF, and in respect of which Mosaic may not be indemnified for some or all of such liabilities and contingencies.

Fluctuations in Operating Performance

Mosaic's working capital requirements and cash flows are likely to be subject to quarterly and yearly fluctuations, depending on a number of factors. Factors which could result in cash flow fluctuations include:

(a) the level of sales and the related margins on those sales;

(b) the collection of receivables;

(c) the timing and size of purchases of inventory and related components; and

(d) the timing of payment on payables and accrued liabilities.

If Mosaic is unable to effectively manage fluctuations in cash flow, its business, operating results and financial condition may be materially adversely affected.

Illiquidity of Investments

Mosaic's investment in its current subsidiaries and the other businesses and assets in which it may invest, are, and likely will be, unlisted and otherwise illiquid and difficult to value. The valuation of these businesses, securities and assets is subject to a significant amount of subjectivity and discretion. There is no guarantee that fair value will be realized by Mosaic on the sale of these assets. Further, such illiquidity will limit the ability of Mosaic to vary its portfolio promptly in response to changing economic or investment conditions.

Speculative Nature of Investment

Due to the relatively small size of the businesses acquired by Mosaic, these businesses generally entail a greater degree of risk to their continuing operations than do larger businesses and so should be considered speculative. There is no assurance that the Mosaic subsidiaries will be able to maintain or improve their respective position in the markets in which they currently participate or expand into new geographical markets.

Customer Base

Some of the subsidiaries of Mosaic derive a significant portion of their revenues from a reasonably concentrated number of customers. If one or more of the larger customers of a Mosaic subsidiary were to cease doing business with that subsidiary, or significantly reduced its business with that subsidiary, the financial condition and results of operations of such subsidiary could be materially adversely affected.

Dependence on Key Personnel

The success of Mosaic's subsidiaries is typically dependent on a few certain key senior employees. The loss of any one of these key employees could impair the ability of the affected subsidiary to operate at its optimum level of performance.

Adverse Weather Conditions

Adverse weather conditions for prolonged periods can materially impact the business, operating results and financial condition of certain of the Mosaic subsidiaries. As a result, the income, cash flow or operating results of Mosaic may be negatively affected.

Seasonality and Fluctuations in Results

The revenue and operating results of the business of some of the Mosaic subsidiaries have historically displayed seasonal variations throughout the year, and this variation is expected to continue in the foreseeable future.

Uninsured and Underinsured Losses and Insurance Costs

Mosaic will use its discretion in determining amounts, coverage and limits and deductibility provisions of insurance for acquired businesses, with a view to maintaining adequate insurance coverage on its assets at a commercially reasonable cost and on suitable terms. This may result in insurance coverage that, in the event of a substantial loss, would not be sufficient to pay the full current market value or current replacement cost of its assets. A substantial loss without adequate insurance coverage could have a material adverse effect on Mosaic's business, financial condition, liquidity or results of operation.

Competition from Competitors Supplying Similar Products and Services

Many of the competitors of Mosaic's subsidiaries have economic resources greater than those of Mosaic or its subsidiaries. Some competitors may become larger or more effective in the marketplace and pose an additional competitive threat to Mosaic's subsidiaries. A competitor may reduce the price of its products or services in an attempt to gain increased sales, and the corresponding pricing pressure placed on Mosaic's subsidiaries may result in reduced profit margins or cash flow. A loss of business may occur if Mosaic's subsidiaries do not meet competitive prices that fall below its profitability targets. There can be no assurance that other businesses in the industries of Mosaic's subsidiaries will not be attracted to enter this market that could have greater financial, technological, manufacturing or marketing resources than Mosaic's subsidiaries.

Contractual Risks

Mosaic or its subsidiaries may from time to time provide indemnifications, in the normal course of business, that are often standard contractual terms to counterparties in certain transactions, such as purchase and sale agreements or service contracts. The terms of these indemnifications will vary based upon the contract and no assurance can be given that a liability arising pursuant to such contractual provisions may not have a material adverse effect on the business, financial condition, results of operations or cash flow of Mosaic or one of the subsidiaries.

Customer Relationships

There is a risk that one or more material customers of a Mosaic subsidiary may, without notice or penalty, terminate their relationship with Mosaic's subsidiaries at any time. In addition, even if customers should decide to continue their relationship with Mosaic's subsidiary, there can be no guarantee that customers will purchase the same amount as in the past, or that purchases will be on similar terms. A loss of customers, a substantial decrease in order volumes from customers, a loss of a significant customer or a change in the terms of the relationship with a significant customer could have an adverse impact on Mosaic's financial performance. Further, from time to time, one or more of the Mosaic subsidiaries may generate a material portion of its revenue from one customer or a consolidated or affiliated group of companies.

Brand Reputation

Damage to the reputation of our subsidiaries' brands could result from events out of our control and have a negative impact on our subsidiaries performance.

Labour Supply

The success of any Mosaic subsidiary is dependent in large part upon their ability to attract, train and retain key management personnel and employees. The local and regional markets within which Mosaic's subsidiaries operate are currently strong and competitive as to labour supply. There is no guarantee that the Mosaic subsidiaries will be able to attract, train and retain the qualified personnel needed for their businesses. In addition, there is no certainty that labour expenses will not increase as a result of shortage in the supply of skilled personnel. A failure to attract, train or retain qualified personnel, or increased labour costs, could have a material adverse effect on one or more of the subsidiaries. Further, there is no guarantee that the employees of a Mosaic subsidiary will not be certified by a union in the future. A disruption of operations as a result of a labour dispute could also have a material adverse effect on the business, financial condition or results of operations of the particular subsidiary of Mosaic in question.

Risks Related Specifically to Mosaic's Real Estate Segment

Real Estate Industry

All real estate investments are subject to varying degrees of risk depending on the nature of the property in question. The value of Mosaic's investments in its properties is subject to changes in general economic conditions (such as the availability and cost of mortgage funds), local conditions (such as the oversupply of a real estate product or a reduction in demand for properties in any particular area), the attractiveness of such properties to current and potential tenants, the competition from others with similar developments, and the ability of Mosaic to adequately maintain and improve its properties pursuant to its business plan at an economic cost. This may adversely affect Mosaic's ability to carry out its business strategy of selling its portfolio of properties individually.

Also, Mosaic may be unable to obtain financing to maintain an appropriate capital structure. There is no certainty that financing will be available upon the maturity of any existing mortgage at interest rates equal to or lower than the interest rate payable under an expiring mortgage, or on other terms as favourable as the original term of the existing mortgage, or at all. If Mosaic is unable to refinance its indebtedness on acceptable terms, or at all, Mosaic may need to dispose of one or more of its properties on disadvantageous terms. Prevailing interest rates or other factors at the time of refinancing could increase its interest expense, and if Mosaic mortgages property to secure payment of indebtedness and is unable to make mortgage payments, the mortgagee could foreclose upon such property or appoint a receiver to receive an assignment of Mosaic's rents and leases.

Economic Conditions

As it is dependent on lease income for a portion of its revenue, Mosaic's operating results are sensitive to prevailing economic conditions, including changes in local, regional and national economic conditions, particularly as they may affect lease rates in its properties. In particular, given the concentration of Mosaic's properties in Alberta and Saskatchewan, a material reduction in oil prices or in oil and gas industry investment could materially adversely affect Mosaic. Mosaic's operating results in individual markets could be adversely affected by local or regional economic downturns, which could have a material adverse effect on the business, financial condition and results of Mosaic.

Credit Risk relating to Ownership of Income-Producing Properties

As an owner of income-producing properties, a significant portion of Mosaic's rental revenue and accounts receivable are due from tenants. Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments. Mosaic's credit risk is limited to the recorded amount of tenant accounts receivable which, as of the date of this AIF, is not a material amount. First West extends unsecured credit to these tenants and, therefore, the collection of accounts receivable may be affected by changes in economic or other conditions.

Lease Renewal Risk

Lease renewal risk arises from the possibility that Mosaic may experience difficulty renewing leases as they expire or in leasing space vacated by tenants upon early lease termination.

Fixed Costs

Certain expenditures, including mortgage payments, insurance costs, and property taxes must be made regardless of whether or not Mosaic's properties are producing sufficient income to service such expenses. Many of First West's properties are subject to mortgages which require debt service payments. If Mosaic is unable or unwilling to make the required mortgage payments on any property owned by it, losses could be sustained as a result of the mortgagee's exercise of its right of foreclosure or power of sale, as applicable. In addition, interest rates on variable rate debt are subject to fluctuations and may affect the viability of a particular property.

Illiquidity

Real estate is relatively illiquid in relation to publicly traded securities. Such illiquidity will limit Mosaic's ability to adjust its portfolio in response to changing economic or investment conditions. Financial difficulties of other property owners that result in distressed sales could depress real estate values in markets in which Mosaic operates. If Mosaic were required to liquidate its assets, there is a risk that it would realize sale proceeds of less than the book value of the properties that have been acquired by Mosaic. This may adversely affect Mosaic's ability to carry out its business strategy of selling its portfolio of properties individually, which may impact dividend or other payments to its securityholders.

Demand Risk

The value of real property and any improvements thereon may depend on the strength of the commercial property market in Mosaic's target markets. Mosaic's projected income would be adversely affected if there were a marked increase in the vacancy rates or decrease in the market lease rates for its properties. The ability of Mosaic to lease non-leased properties will be affected by many factors. The failure of Mosaic to lease non-leased properties on a timely basis or at all would likely have an adverse effect on Mosaic's financial condition. Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced. The terms of any subsequent lease may be less favourable to Mosaic than the existing lease. Mosaic could be adversely affected, in particular, if any major tenant ceases to be a tenant and cannot be replaced on similar or better terms.

Tenant Default

In the event of default by a tenant, Mosaic may experience delays in enforcing its rights as lessor and may incur significant costs in protecting its investment. In addition, a tenant may seek the protection of bankruptcy, insolvency or similar laws. In the context of such proceedings a court may authorize a tenant to reject and terminate its lease with Mosaic. In such a case, Mosaic's claim against the tenant for unpaid, future rent would be subject to a statutory limit that might be substantially less than the remaining rent owed under the lease. The loss of rental payments from tenants and costs of re-leasing could adversely affect Mosaic's cash flows and operating results.

Environmental Liabilities

Under various federal and provincial environmental laws and regulations, a current or previous owner or operator of real property may be held liable for the costs of removal or remediation of certain hazardous or toxic substances, including, without limitation, asbestos-containing materials or oil-related items that could be located on, in or under such property. Such laws and regulations often impose liability whether or not the owner or operator knew of, or was responsible for, the presence of the hazardous or toxic substances. The costs of any required removal or remediation of these substances could be material. The liability of an owner or operator is generally not limited under such laws and regulations and could exceed a property's value or even the value of the total assets of the owner or operator. The presence of these substances or failure to remediate such substances properly may also have an adverse effect on an owner or operator's ability to sell or lease a property, or to borrow money using the property as collateral. Although Mosaic typically conducts environmental due diligence prior to acquiring any property, it could be liable for such type of costs as well as for certain other costs, including governmental fines and damages for injuries caused to persons or property. As a result, the presence, with or without Mosaic's knowledge, of hazardous or toxic substances at a property held or operated by Mosaic could have a material adverse effect on Mosaic's business and its results of operations.

DIVIDENDS AND DISTRIBUTIONS

Dividend Policy

In January 2012 our Board of Directors adopted a dividend policy of paying a regular quarterly on the Common Shares. The amount and payment of future dividends, whether quarterly or otherwise, is subject to the discretion of the Board of Directors and will be dependent upon Mosaic's results of operations, current and anticipated cash requirements, the satisfaction of solvency tests imposed by the ABCA and other relevant factors.

Each Series A Share of Mosaic entitles the holder thereof to a dividend in an amount equal to the interest payment as and when made on a Preferred Security. Currently a monthly dividend equal to $0.0833 is being paid in respect of each Series A Share. For additional details on the terms of the Series A Shares, please refer yourself to the section entitled "*Capital Structure – Series Shares*" below.

Distributions - Preferred Securities

The Preferred Securities bear simple interest at a rate of $1.00 per annum which is currently paid monthly ($0.0833 per Preferred Security) in arrears. Subject to the terms of the Preferred Securities Indenture, interest on the Preferred Securities is generally paid on the 15th day of the month following an Interest Period. The current Interest Period is one month and the monthly interest payment is $0.0833 per Preferred Security. For additional details on the terms of the Preferred Securities, please refer yourself to the section entitled "*Capital Structure – Preferred Securities*" below.

Dividends and Distributions

Distributions - 2011 - Preferred Securities

The following table shows the interest paid by Mosaic on one Preferred Security having a principal amount of $10 from May 1, 2011, being the effective date of the Arrangement, up to December 31, 2011.

Period	Payment Date	Record Date	Amount per Preferred Security	Number of Preferred Securities Outstanding	Aggregate Amount
May 2011	June 15, 2011	May 31, 2011	$0.0833	5,088,722	$423,891
June 2011	July 15, 2011	June 30, 2011	$0.0833	5,088,522	$423,874
July 2011	August 15, 2011	July 29, 2011	$0.0833	5,088,522	$423,874
August 2011	September 15, 2011	August 31, 2011	$0.0833	5,066,822	$422,066
September 2011	October 17, 2011	September 30, 2011	$0.0833	5,066,822	$422,066
October 2011	November 15, 2011	October 31, 2011	$0.0833	5,066,822	$422,066
November 2011	December 15, 2011	November 30, 2011	$0.0833	5,066,822	$422,066
December 2011	January 16, 2012	December 30, 2011	$0.0833	5,066,822	$422,066

Dividends - 2011 - Series A Shares

The following table shows the dividends declared by Mosaic on one Series A Share from May 1, 2011, being the effective date of the Arrangement, up to December 31, 2011.

Payment Date	Record Date	Amount per Series A Share	Number of Series A Shares Outstanding	Aggregate Amount
June 15, 2011	May 31, 2011	$0.0833	0	NIL
July 15, 2011	June 30, 2011	$0.0833	20,790	$1,732
August 15, 2011	July 29, 2011	$0.0833	20,790	$1,732
September 15, 2011	August 31, 2011	$0.0833	20,790	$1,732
October 17, 2011	September 30, 2011	$0.0833	20,790	$1,732
November 15, 2011	October 31, 2011	$0.0833	20,790	$1,732
December 15, 2011	November 30, 2011	$0.0833	20,790	$1,732
January 16, 2012	December 30, 2011	$0.0833	20,790	$1,732

Dividends and Distributions - 2012 - Common Shares, Series A Shares and Preferred Securities

As of April 23, 2012, Mosaic has made monthly interest payment of $0.0833 per Preferred Security and declared and paid a dividend of $0.0833 per Series A Share for each of the months of January, February, and March, 2012 for total distributions of $1,266,199 on the Preferred Securities and $5,197 on the Series A Shares. Mosaic has also declared and paid a dividend of $0.02 per Common Share to holders of record on January 31, 2012 for an aggregate dividend of $162,757.

Distribution Reinvestment Plan

Under the Mosaic DRIP, holders of Preferred Securities who are residents of Canada and are participating in the plan have interest payments relating to their Preferred Securities reinvested into Preferred Securities. The Mosaic DRIP allows Mosaic to elect to have the Preferred Securities which are required in order to satisfy the obligations under the Mosaic DRIP purchased on the open market or issued from treasury with or without a discount of up to 3%. Holders of Preferred Securities may elect to participate or cease to participate in the Mosaic DRIP by contacting the plan agent.

The Fund

With regard to distribution payments made by the Fund for each of the three most recently completed financial years: (i) distributions were declared and paid in the amount of $3,592,000 to holders of preferred trust units of the Fund and in the amount of $1,890,000 to holders of common trust units of the Fund, in each case in respect of the fiscal year ended December 31, 2009;

(ii) distributions were declared and paid in the amount of $3,550,000 to holders of preferred trust units of the Fund and in the amount of $990,000 to holders of common trust units of the Fund, in each case in respect of the fiscal year ended December 31, 2010; and (iii) distributions were declared and paid in the amount of $1,181,551 to holders of preferred trust units of the Fund and nil to holders of common trust units of the Fund in respect of the period from January 1, 2011 to April 30, 2011.

First West

With regard to dividends paid by First West for each of the three most recently completed financial years: (i) dividend payments in the aggregate of $369,019 were paid to common shareholders of First West in the fiscal year ended June 30, 2009; (ii) dividend payments in the aggregate of $633,000 were paid to common shareholders of First West in the fiscal year ended June 30, 2010; and (iii) dividend payments in the aggregate of $511,695 were paid to common shareholders of First West for the period from July 1, 2010 to April 30, 2011.

CAPITAL STRUCTURE

General

The authorized capital of Mosaic consists of an unlimited number of Common Shares and an unlimited number of Series Shares. Under the Preferred Securities Indenture, Mosaic also has the ability to issue an unlimited number of Preferred Securities. Mosaic has also issued Common Share Options and Series A Share Options. As of March 31, 2012, Mosaic had: (i) 8,137,848 Common Shares issued and outstanding, (ii) 20,790 Series A Shares issued and outstanding, (iii) 5,066,822 Preferred Securities issued and outstanding, (iv) Common Share Options issued and outstanding entitling the holders thereof to purchase an aggregate of 221,760 Common Shares at a weighted average exercise price of $3.52 per share (the majority of such options expire in 2017), and (v) Series A Share Options issued and outstanding entitling the holders thereof to purchase an aggregate of 90,090 Series A Shares at a weighted average exercise price of $7.16 per share (the majority of such options expire in 2017).

Common Shares

The holders of Common Shares are entitled to one vote per share at all meetings of shareholders except separate meetings of the holders of another class or series of shares of Mosaic. The Common Shares are entitled to dividends, if and when declared by the Mosaic Board, and to the distribution of the residual assets of Mosaic in the event of the liquidation, dissolution or winding-up of Mosaic.

Series Shares

The Series Shares are issuable in series. The Series Shares of each series rank on a parity with the Series Shares of every other series with respect to dividends and return of capital and are entitled to a preference over the Common Shares and any other shares ranking junior to the Series Shares with respect to priority in the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding-up of Mosaic.

The Mosaic Board is empowered to fix the number of shares and the rights to be attached to the Series Shares of each series, including the amount of dividends and any conversion, voting and redemption rights. Subject to the Articles of Mosaic and to applicable law, the Series Shares as a class are not entitled to receive notice of or attend or vote at meetings of Mosaic shareholders.

The Series A Shares are the first series of Series Shares which have been created and issued. The Series A Shares are non-voting and each such share entitles the holder thereof to a dividend equal to the interest payment made on a Preferred Security. Each Series A Share is redeemable for one Preferred Security.

Preferred Securities

The Preferred Securities are created and issued under the Preferred Securities Indenture. The Preferred Securities are issuable in denominations of $10 and integral multiples thereof, as well as in fractional interests.

The following is a brief summary of the key attributes and characteristics of the Preferred Securities and of certain provisions which are incorporated into the Preferred Securities Indenture. The following does not purport to be complete or final and for full particulars, reference should be made to the Preferred Securities Indenture. A copy of the Preferred Security Indenture has been filed under Mosaic's profile on SEDAR at www.sedar.com.

Voting Rights

The Preferred Securities do not carry any voting rights.

Maturity

The Preferred Securities are undated, perpetual securities having no fixed maturity date or redemption date. The Preferred Securities are not redeemable by the holder at any time or in any circumstances. Notwithstanding any default of Mosaic under the terms of the Preferred Securities Indenture (including any default in the payment of interest), the principal amount under any or all of the Preferred Securities will only become due and payable upon a liquidation, dissolution or bankruptcy of Mosaic.

Security and Rank of Preferred Securities

The Preferred Securities are unsecured and subordinated obligations of Mosaic ranking *pari passu* among themselves but subordinated and postponed to all indebtedness, liabilities and obligations of Mosaic which, by the terms of the instrument creating or evidencing such indebtedness, liabilities or obligations, is not expressed to rank in right of payment in subordination to or *pari passu* with the indebtedness evidenced by the Preferred Securities or any of them (herein the "**Senior Indebtedness**"). The obligations under the Preferred Securities rank senior to the common shares of Mosaic.

Right of Redemption by Mosaic

The Preferred Securities are redeemable by Mosaic at any time at Mosaic's option, in whole or in part (in which case they will be retracted on a *pro-rata* basis), upon payment in respect of each Preferred Security of the "**Redemption Price**" which means, in respect of each Preferred Security, the greater of (i) the amount of ten ($10) dollars, being the principal amount thereof; and (ii) the market price of such Preferred Security; and, in each case, shall also include all accrued and unpaid interest on such Preferred Security (including any unpaid deferred interest, if any) up to but excluding the date of redemption. Mosaic will satisfy the Redemption Price by way of cash payment to the holders of Preferred Securities that are being redeemed.

Purchase by Mosaic and its Affiliates

Mosaic may purchase Preferred Securities in the market, by tender or by private contract, at any time or price. Preferred Securities purchased shall be cancelled and no Preferred Securities shall be issued in substitution. For the fiscal year ended December 31, 2011, 21,900 Preferred Securities ($219,000 aggregate principal amount) were purchased on the TSX-V and cancelled.

Interest Rate

Preferred Securities bear simple interest at a rate of $1.00 per annum which is currently paid monthly ($0.0833 per Preferred Security) in arrears. Interest payable on the Preferred Securities is cumulative and non-compounding. Each period from and including the first day of a month to and including the last day of the month is herein referred to as an "**Interest Period**". The current Interest Period is one month. Subject to the terms of the Preferred Securities Indenture, Mosaic may change the Interest Period in its discretion provided that it shall be no greater than six months in duration.

Record and Payment Date for Interest Payments

Subject to the right of Mosaic to defer interest payments, accrued and unpaid interest on the Preferred Securities for each Interest Period is payable, on the interest payment date immediately following that Interest Period, to holders of Preferred Securities of record as of the last Business Day (for the purposes of this Section, "**Business Day**" shall have the meaning set forth in the Preferred Securities Indenture) of the Interest Period. The interest payment date in respect of each Interest Period shall be the 15th day of the month immediately following such Interest Period, unless such day is not a Business Day (as defined in the Preferred Securities Indenture) in which event the interest payment date shall be the immediately next following Business Day (as defined in the Preferred Securities Indenture) unless earlier paid by Mosaic.

Deferral of Interest

Mosaic may indefinitely defer payment of all or part of any accrued interest otherwise due on an interest payment date by giving notice to the Preferred Securities Trustee not less than five Business Days prior to such interest payment date. Payments of interest following receipt of a notice of deferral shall continue to be deferred until payment is resumed in accordance with the terms of the Preferred Securities Indenture, meaning that once an interest deferral notice has been given to the Preferred Securities Trustee, no subsequent interest deferral notices will need to be given to the Preferred Securities Trustee or to holders of Preferred Securities for the interest to be deferred. The Preferred Securities Trustee is responsible to notify the holders of

Preferred Securities of receipt of an interest deferral notice. Interest shall continue to accrue during any period of time in which payment of interest is deferred.

Payment of Deferred Interest - Voluntary

Subject to the requirement to pay deferred interest in certain circumstances (see "*Mandatory Payment of Deferred Interest"* below), Mosaic may elect to pay all or any portion of such interest as at that time stands deferred and such payment may be made on any Business Day by first delivering written notice confirming the payment date to the Trustee. Such notice must be given not less than five Business Days prior to the date selected for payment by Mosaic.

Mosaic's right to make payment of any deferred interest is subject to Mosaic, at the time of payment, not being aware of any reasonable grounds for believing that it is, or would after the payment be, unable to pay its liabilities as they become due. Satisfaction of payment of the deferred interest will be by way of cash payment.

Mandatory Payment of Deferred Interest

Mosaic is obligated to pay all outstanding and unpaid deferred interest (or so much thereof as available distributable cash of Mosaic will permit) at the following times:

(a) no later than the Business Day immediately prior to the date on which Mosaic declares the payment of any dividend, interest or other distribution in any form or amount, or makes a payment of any nature, in respect of any securities of Mosaic or other obligations of Mosaic which rank junior to the Preferred Securities (including the Common Shares);

(b) no later than the Business Day immediately prior to the date on which Mosaic redeems, purchases or otherwise acquires any of its own share capital, securities or other obligations ranking junior to the Preferred Securities; and

(c) at the time of any distribution of the assets of Mosaic arising from the liquidation, dissolution or bankruptcy of Mosaic.

In the event that either of the following events occurs:

(a) Mosaic declares the payment of any dividend, interest or other distribution in any form or amount, or makes a payment of any nature, in respect of any securities or other obligations of Mosaic which rank *pari passu* with the Preferred Securities; or

(b) Mosaic redeems, purchases or otherwise acquires any of its own securities or other obligations which rank *pari passu* with the Preferred Securities;

then mandatory partial payment of the outstanding and unpaid deferred interest on the Preferred Securities shall be made forthwith in such amount as is calculated in accordance with the terms of the Preferred Securities pertaining to calculation of such mandatory partial payment amounts.

Default on Interest Payment

A payment default ("**Payment Default**") with respect to the Preferred Securities will occur if Mosaic fails to pay or set aside for payment the amount due to satisfy any payment on the Preferred Securities when due, and such failure continues for 30 days. The deferral of interest pursuant to the terms of the Preferred Securities shall not constitute a Payment Default under the Preferred Securities Indenture.

If any Payment Default occurs and continues, the Preferred Securities Trustee may pursue all legal remedies available to it, including commencing judicial proceedings for the collection of the sums due and unpaid. Notwithstanding a Payment Default, the Preferred Securities Trustee may not declare the principal amount of any outstanding Preferred Security to be due and payable.

Other Covenants

Among other things, Mosaic covenants in the Preferred Securities Indenture substantially to the effect that:

(a) Mosaic will furnish or cause to be furnished to the Preferred Securities Trustee, or its duly authorized agent or attorney, such information relating to the business of Mosaic as the Preferred Securities Trustee may reasonably require for the performance of its duties thereunder;

(b) Mosaic will pay the Preferred Securities Trustee's reasonable remuneration for services thereunder, and such remuneration will continue to be payable until the trusts thereof are finally wound up and whether or not the trusts of the Preferred Securities Indenture will be in the course of administration by or under the direction of the court;

(c) Mosaic will observe and comply with all governing laws relating to its business and operations.

Further Issuances

Additional Preferred Securities having the same terms and conditions as those presently issued under the Preferred Securities Indenture may be issued under the Preferred Securities Indenture from time to time in such aggregate principal amount as Mosaic determines in its discretion. The terms of the Preferred Securities and Preferred Securities Indenture do not restrict the issuance by Mosaic of any securities of any kind or nature whatsoever.

Additional Indebtedness

The terms of the Preferred Securities and Preferred Securities Indenture will not restrict the incurring of additional indebtedness by Mosaic, its subsidiaries or affiliates, whether secured or unsecured and whether ranking senior, pari passu or junior to the Preferred Securities.

Amendment to Indenture

The terms of the Preferred Securities Indenture allow Mosaic, without the consent of the Preferred Securities Trustee or the holders of Preferred Securities, to amend or supplement the Preferred Securities Indenture for certain purposes, including curing defects or inconsistencies or making any change that does not materially adversely affect the rights of the holders of Preferred Securities, considered together as a class and not individually.

MARKET FOR SECURITIES

Trading Price and Volume

The Common Shares are listed and posted for trading on the TSX-V under the symbol "M". The Common Shares were listed and posted for trading on the TSX-V on May 9, 2011. The following table sets forth certain trading information for the Common Shares on the TSX-V for the most recently completed financial year:

	Month	High	Low	Close	Volume
2011	January	$N/A	$N/A	$N/A	N/A
	February	$N/A	$N/A	$N/A	N/A
	March	$N/A	$N/A	$N/A	N/A
	April	$N/A	$N/A	$N/A	N/A
	May	$4.90	$2.25	$3.50	87,039
	June	$5.00	$1.61	$2.25	98,370
	July	$3.20	$2.25	$2.55	68,074
	August	$3.10	$2.50	$2.60	95,032
	September	$3.00	$2.40	$2.50	78,173
	October	$3.20	$2.40	$3.10	48,181
	November	$3.20	$2.65	$3.00	72,835
	December	$3.00	$2.85	$2.85	31,135

The Preferred Securities are listed and posted for trading on the TSX-V under the symbol "M.PR.A". The Preferred Securities were listed and posted for trading on the TSX-V on May 9, 2011. The following table sets forth certain trading information for the Preferred Securities on the TSX-V for the most recently completed financial year:

	Month	High	Low	Close	Volume
2011	January	$N/A	$N/A	$N/A	N/A
	February	$N/A	$N/A	$N/A	N/A
	March	$N/A	$N/A	$N/A	N/A
	April	$N/A	$N/A	$N/A	N/A
	May	$10.25	$8.50	$8.52	21,166
	June	$9.75	$6.50	$7.50	68,197
	July	$8.70	$7.40	$8.65	41,475
	August	$8.50	$8.00	$8.10	64,509
	September	$8.25	$7.60	$8.00	84,955
	October	$8.75	$7.93	$8.45	42,491
	November	$8.60	$8.05	$8.50	33,425
	December	$8.40	$7.75	$8.25	48,974

Prior Sales

During the most recently completed financial year, Mosaic issued the following securities that are not listed or quoted on a marketplace:

(a) Unit Options issued in exchange for 1,525,000 options to purchase common shares of First West pursuant to the Arrangement, which resulted in the issuance on May 1, 2011 of 1,525,000 Common Share Options and 1,525,000 Series A Share Options. As of March 31, 2012 there are (i) Common Share Options issued and outstanding entitling the holders thereof to purchase an aggregate of 221,760 Common Shares at a weighted average exercise price of $3.52 per share (the majority of such options expire in 2017), and (ii) Series A Share Options issued and outstanding entitling the holders thereof to purchase an aggregate of 90,090 Series A Shares at a weighted average exercise price of $7.16 per share (the majority of such options expire in 2017); and

(b) 20,790 Series A Shares were issued effective June 6, 2011 at a price of $6.49 per share pursuant to the exercise of Series A Share Options.

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

To the knowledge of Mosaic and as of March 31, 2012, 2,318,977 Common Shares, 10,395 Series A Shares, 80,215 Preferred Securities, 670,000 Common Share Options, and 535,000 Series A Share Options (collectively the "**Escrowed Securities**") are subject to escrow pursuant to Policy 5.4 of the TSX-V corporate finance manual (the "**TSX-V Escrow Policy**"). The following table lists the names of the holders of such securities (the "**Escrowed Securityholders**") and the numbers of Escrowed Securities:

Name and Municipality of Residence of Securityholder	Designation of Class	Number of Securities Held in Escrow	Percentage of Class of Securities
John Mackay(1) Calgary, AB	Common Shares	922,972	11.34%
	Preferred Securities	38,907	0.77%
	Common Share Options	135,000	9.38%
	Series A Share Options	135,000	11.54%
Harold M. Kunik(2) Calgary, AB	Common Shares	841,370	10.34%
	Preferred Securities	38,783	0.77%
	Common Share Options	135,000	9.38%
	Series A Preferred Shares	10,395	50.00%
William H. Smith Calgary, AB	Common Shares	65,125	0.80%
	Preferred Securities	2,525	0.05%

Name and Municipality of Residence of Securityholder	Designation of Class	Number of Securities Held in Escrow	Percentage of Class of Securities
Manuel Santos(3) Calgary, AB	Common Shares	367,132	4.51%
Mission Capital Inc.(4) Calgary, AB	Common Shares	61,189	0.75%
Evan Spiropolous Calgary, AB	Common Shares	61,189	0.75%
Eric Wesling Calgary, AB	Common Share Options	400,000	27.78%
	Series A Share Options	400,000	34.19%

Notes:
(1) Includes Common Shares held by M4 Trust of which Mr. Mackay is a trustee and in the class of beneficiaries.
(2) Includes Common Shares held by C-Growth Trust of which Mr. Kunik is a trustee and in the class of beneficiaries.
(3) Includes Common Shares held by Ban Santos Trust of which Mr. Santos is a trustee and in the class of beneficiaries.
(4) MISSION Capital Inc. is controlled by Michael F. Hill.

The Escrowed Securities held by each of the Escrowed Securityholders are in escrow pursuant to an escrow agreement (an "**Escrow Agreement**") entered into between Mosaic, Olympia Trust Company (the "**Escrow Agent**") and each of the Principal Escrowed Securityholders. The Escrowed Securities will be released from escrow as follows:

Percentage of Escrowed Securities Released	Release Date
50%	May 10, 2012
50%	November 10, 2012

Subject to TSX-V approval, the Escrowed Securities may not be sold, assigned, transferred, redeemed, surrendered or otherwise dealt with in any manner except as provided for by the applicable Escrow Agreement.

Securities may be transferred within escrow to an individual who is a director or senior officer of Mosaic or a material operating subsidiary of Mosaic, provided that the Mosaic Board approves the transfer and certain requirements of the Escrow Agreement are met, including that the transferee agrees to be bound by the terms of the Escrow Agreement. In addition, on meeting certain requirements, Escrowed Securities may be transferred within escrow to a person or company that holds more than 20% of the voting rights attached to Mosaic's outstanding securities, or to a person or company who, after the proposed transfer, will hold more than 10% of the voting rights attached to Mosaic's outstanding securities and has the right to elect or appoint one or more directors or senior officers of Mosaic or any of its material operating subsidiaries. Escrowed Securities may be transferred within escrow to a registered retirement savings plan ("**RRSP**") or a registered retirement income fund ("**RRIF**") provided that the Escrow Agent receives proper notice of the same, the beneficiaries of the RRSP or RRIF are limited to the Escrowed Securityholders and the spouse, children and parents of such holder, and the trustee of the RRSP or RRIF agrees to be bound by the terms of the Escrow Agreement. After any transfer of the Escrowed Securities within escrow, the Escrowed Securities will remain in escrow and released from escrow under the Escrow Agreement as if no transfer has occurred on the same terms that applied before the transfer. In the event of the death of an Escrowed Securityholder, the securities held in escrow shall be released to the legal representatives of the deceased Escrowed Securityholder subject to compliance with the procedural requirements in the Escrow Agreement.

DIRECTORS AND OFFICERS

The following table sets out, for each of the directors and executive officers of Mosaic, the person's name, province or state, and country of residence, their positions and offices with Mosaic and the period during which each director has served as such:

Name, Province or State, and Country of Residence	Position(s) of Office	Principal Occupation	Period as a Director Since
John Mackay Calgary, Alberta, Canada	Director, Executive Chairman and Chief Executive Officer	Director, Executive Chairman and Chief Executive Officer of Mosaic	February 11, 2011
Harold Kunik Calgary, Alberta, Canada(1)	Director, President and Chief Financial Officer	Director, President and Chief Financial Officer of Mosaic	February 11, 2011

Name, Province or State, and Country of Residence	Position(s) of Office	Principal Occupation	Period as a Director Since
William H. Smith Calgary, Alberta, Canada	Director and Vice Chairman	Director and Vice Chairman of Mosaic	February 11, 2011
Michael F. Hill Calgary, Alberta, Canada(1)	Director	President of MISSION Capital Inc.	February 11, 2011
M. Frank Phillet Edmonton, Alberta, Canada(1)	Director	Chief Executive Officer of Immunall Science Inc., a reporting issuer listed on the CNSX and having rights to a patented process for extracting certain components from American Ginseng, and independent businessman.	February 11, 2011
Barclay Laughland Calgary, Alberta, Canada	Vice President, Corporate Affairs and Corporate Secretary	Vice-President, Corporate Affairs of Mosaic	N/A

Notes:
(1) Member of the Audit Committee
(2) As of April 20, 2012, based solely on reports filed on the System for Electronic Disclosure by Insiders (SEDI) at www.sedi.ca, the directors and officers of Mosaic, as a group, collectively beneficially owned, or exercised control or direction over, directly or indirectly, 4,099,710 Common Shares representing approximately 50.4% of the issued and outstanding Common Shares.

The directors of Mosaic will hold office until the next annual general meeting of shareholders or until their respective successors have been duly elected or appointed.

Backgrounds of Directors and Officers

John Mackay
Director, Executive Chairman and Chief Executive Officer

John (age 46) has over 20 years experience in public markets transactions and as a private equity fund manager. He is Executive Chairman, Chief Executive Officer and a director of Mosaic, a trustee of the Fund since October, 2005, Chairman of First West since August 2006, and partner of Agcapita Partners L.P., an agricultural investment firm since December 2007. John began his career as a lawyer and was a partner in the Corporate Finance and Mergers and Acquisition practice group at McCarthy Tétrault LLP until June 30, 2004. John has advised public and private companies, venture capitalists, private equity funds and underwriters with respect to the structuring and securities law implications of domestic and international private placements, public offerings, corporate reorganizations, mergers and acquisitions. John was Chair of the Securities Law Subsection of the Canadian Bar Association and past member of the Securities Advisory Committee to the Alberta Securities Commission. John received a Bachelor of Laws (Honours) from the University of Durham in the United Kingdom in 1993 and has practiced law in Alberta since 1994.

Harold M. Kunik
Director, President and Chief Financial Officer

Harold (age 51) has over 16 years experience as a private equity and venture capital fund manager and in corporate turn-arounds and restructurings. He is President, Chief Financial Officer and a director of Mosaic and has been President and a trustee of the Fund since October, 2005. Harold served as the President of First West from August 2006 until September, 2007 and as Chief Financial Officer and a director since April 2008 (as well as from September 2007 until January 2008). Since December 2007 Harold has been a partner of Agcapita Partners L.P., an agricultural investment fund. Harold began his career with KPMG Peat Marwick and practiced in both its domestic and international offices. During his nine year tenure he was involved in corporate restructurings and acted as a corporate consultant and business planner to clients in a broad range of industries and with revenues ranging in size from $1 million to $750 million. In 1994, Harold joined Western New Ventures Capital Corporation, a private equity firm located in Edmonton, Alberta. He became a partner with New Ventures and played a key role as Chief Financial Officer and as a director of several of the investee companies. In 2001, Harold joined Avenir Capital Corporation, a Calgary based private equity fund as Managing Director, Investments and later managed the Avenir Growth Fund. Harold possesses two professional accounting designations, having obtained his Certified Management Accountant designation in Alberta in 1986 and his Chartered Accountant designation in New Zealand in 1992.

William H. Smith, Q.C.
Director and Vice Chairman

Bill (age 59) is Vice Chairman and a director of Mosaic, Principal of William H. Smith Professional Corporation (a law firm) and President, Torve Ventures Ltd. (a merchant bank) since July 2010. Until July 2010, Bill practised in the Corporate and Securities group of a major Canadian law firm for more than 20 years as advisor to public and private companies, individuals and corporate boards involved in a wide variety of businesses, including technology, manufacturing, finance, resources and services. He is a director and corporate secretary of several public and private companies. In addition, Bill has acted as Executive Vice President of two publicly traded oil and gas companies (Canadian Overseas Petroleum Limited from August 2009 to February 2010 and Oilexco Incorporated from October 2007 to July 2009). Bill received a Bachelor of Arts (1973) and a Bachelor of Laws (1976), both from the University of Alberta. He has served as Executive Director of the Alberta Securities Commission (1990) and as Chair of the Securities Advisory Committee for 10 years. Bill co-presents seminars for the Institute of Chartered Accountants (Alberta) on "The CFO and the Board of Directors" in the CFO Leadership course and "The Effective Director" as well as participating in commercial seminars. Bill is active in the community and currently serves on the board of two not-for-profit companies.

Michael Hill
Director

Michael (age 48) is a director of Mosaic and the President of MISSION Capital Inc. since 2003 which advises public and private companies in the areas of corporate development, mergers and acquisitions, financing strategies, shareholder communications and strategic and financial planning. From 1996 to 2003, Mr. Hill was a founding partner of Acumen Capital Finance Partners, a Calgary-based investment dealer specializing in providing financing and financial advisory services to small market capitalization technology and manufacturing companies. While at Acumen, Mr. Hill assisted public and private companies raise equity and debt capital. In addition, he also assisted companies in various advisory capacities including mergers and acquisitions, shareholder maximization, fairness opinions and valuations. Prior to joining Acumen Capital Finance Partners, Mr. Hill worked for Nova Corporation where he was involved in a start-up of a new business unit, corporate strategic planning, technology management, engineering and research and development. From January 2010 to December 2010 Mr. Hill was the Chief Executive Officer of Evoco Inc. Mr. Hill holds an MBA from the University of Western Ontario and BSc. in Civil Engineering from the University of Alberta.

Frank Phillet
Director

Frank (age 65) is a director of Mosaic and Chief Executive Officer of Immunall Science Inc. Frank holds a Bachelor of Arts from the University of Alberta (1967) and a Chartered Accountant degree (1979). Mr. Phillet has extensive experience as an accountant in public practice and as well has significant experience as a venture capitalist involving the launching of more than 15 publicly traded companies as well as a host of private businesses. His principal occupation is the management of his privately held businesses.

Barclay Laughland
Vice President, Corporate Affairs and Corporate Secretary

Barclay (age 42) is Vice-President, Corporate Affairs and Corporate Secretary of Mosaic and Vice-President, Corporate Affairs of First West since September 2009. Barclay has over 17 years experience in public markets transactions, corporate finance, structuring and business management. He is also a partner with Agcapita Partners LP, an agricultural investment fund. From July 2007 to December 2008, Barclay was President of a private technology development company (Elemax Inc.) focussed on hydrocarbon extraction technology. Barclay began his career as a lawyer and left private practice in June, 2007 as a partner in the Corporate Finance and Mergers and Acquisitions practice group in the Calgary office of McCarthy Tétrault LLP where he had practiced since August of 2000. During that time Barclay advised public and private companies, venture capitalists and private equity funds covering a broad range of matters related to commercial contracts, business transactions, corporate finance, reorganizations, mergers and acquisitions, including a focus on alternative transaction and investment structures involving trusts, partnerships, joint ventures and unlimited liability companies. Barclay has been a speaker and special lecturer on various issues related to business and finance. He received a Bachelor of Commerce (1991) and Juris Doctor (1994), both from the University of Saskatchewan.

Corporate Cease Trade Orders

Except as otherwise disclosed below, to the knowledge of Mosaic, no director or executive officer of Mosaic is, or within the ten years prior to the date hereof has been, a director, chief executive officer or chief financial officer of any company that, while that person was acting in that capacity: (i) was the subject of a cease trade order or similar order, or an order that denied the relevant company access to any exemption under Canadian securities legislation, for a period of more than 30 consecutive days; or (ii) was subject to an event that resulted, after the person ceased to be a director, chief executive officer or chief financial officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days.

Mr. Frank Phillet, a director of Mosaic, is or has been a director and/or officer of each of DevStudios International Inc. ("**DevStudios**") and Immunall Science Inc. ("**Immunall**"). In April, 2008 Mr. Phillet as a director and/or officer of DevStudios was subject to a management cease trade order issued by one or more of the Canadian securities commissions due to the failure of DevStudios to file, within the required timeframe, its annual financial statements for the year ended December 31, 2007. This cease trade order was revoked in July 2008 and a corporate cease trade in respect of the securities of DevStudios was imposed. Also, in early May 2008 Mr. Phillet as a director and/or officer of Immunall was subject to a management cease trade order issued by one or more of the Canadian securities commissions due to the failure of Immunall to file, within the required timeframe, its annual financial statements for the year ended December 31, 2007. This filing default was remedied and the cease trade order revoked in late June 2008. In May 2010, Immunall was subject to cease trade orders issued by one or more of the securities commissions in the provinces in which Immunall is a reporting issuer for failure to file, within the required timeframe, its annual financial statements for the year ended December 31, 2009. This default was remedied by Immunall and the cease trade orders revoked on or prior to August 15, 2010.

Mr. William H. Smith, a director of Mosaic, was a director and officer of Oilexco Incorporated. As a consequence of severe disruption in the financial and commodity markets during the fall of 2008, Oilexco Incorporated filed for protection under the *Companies Creditors' Arrangement Act* (Canada) on February 5, 2009 and its wholly-owned United Kingdom subsidiary Oilexco North Sea Limited (of which Mr. Smith was also a director and officer) applied for the appointment of administrators for the benefit of its creditors on January 7, 2009. Oilexco Incorporated was subsequently suspended from trading by the TSX-V and a cease trade order was issued by the Alberta Securities Commission for failure by Oilexco Incorporated to file financial statements. In addition, the directors of Oilexco Incorporated, including Mr. Smith, were reprimanded by the TSX-V based on the TSX-V finding that Oilexco Incorporated ought to have issued certain press releases when it was insolvent.

Penalties or Sanctions

Except as otherwise disclosed herein, to the knowledge of Mosaic, no director or executive officer of Mosaic, nor any securityholder that holds a sufficient number of securities to affect materially the control of Mosaic, has been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities authority, or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Bankruptcies

Except as otherwise disclosed herein, to the knowledge of Mosaic, no director or executive officer of Mosaic or shareholder holding a sufficient number of Common Shares to affect materially the control of Mosaic: (i) is, at the date hereof, or has been within the ten years before the date hereof, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (ii) has, within the ten years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or became subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold such persons assets.

Mr. Harold M. Kunik, a director and executive officer of Mosaic, was a senior officer of Electromec Manufacturing Solutions Inc. ("**Electromec**") from November 2003 to August 2005. After efforts to assist with the turn-around of the operations and financial performance of the business, Mr. Kunik resigned from Electromec in late August 2005. Shortly thereafter, in the last half of September 2005, a receiver-manager was brought in to take over management of Electromec. In approximately February 2006, Electromec was formally placed into bankruptcy. The business of Electromec was ultimately sold.

Conflicts of Interest

There are potential conflicts of interest to which the directors and officers of Mosaic may be subject in connection with the operations of Mosaic. In particular, certain of the directors and officers of Mosaic are engaged in a wide range of real estate and other business activities which may, from time to time, be in direct competition with those of Mosaic. Conflicts, if any, will be subject to the procedures and remedies available under the ABCA. The ABCA provides that in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided by the ABCA. As at the date of this AIF, the Mosaic Board and management of Mosaic are not aware of any existing or potential material conflicts of interest between Mosaic and any director or officer of Mosaic other than that which has been disclosed in this AIF.

AUDIT COMMITTEE

Mosaic is a venture issuer exempt from the requirements of Parts 3 (Composition of Audit Committee) and 5 (Reporting Obligations) of National Instrument 52-110 – Audit Committees ("**NI 52-110**"). The disclosure required under NI 52-110 will be contained in the information circular for the upcoming annual and special meeting of holders of Common Shares involving the election of directors.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Mosaic is not aware of any material legal proceedings to which Mosaic is or was a party to, or that any of Mosaic's property is or was the subject of, during Mosaic's financial year ended December 31, 2011. Further, Mosaic is not aware of any such material legal proceedings being contemplated.

On March 6, 2012 Remote Waste and its general partner, Remote Waste Ltd., commenced an action in the Court of Queen's Bench of Alberta against Ronald Milner ("**Milner**"), a former director of Remote Waste Ltd., and Remote Waste Inc. ("**RWI**"), the minority limited partner and shareholder in Remote Waste and Remote Waste Ltd., respectively. The action against Milner and RWI relates to claims for breach of contract, breach of the duty of good faith, breach of fiduciary duties, and intentional interference with contractual relations. The aggregate amount claimed is $1.2 million. Defence of the claim is anticipated but has not yet been filed.

On March 7, 2012 in accordance with the terms of the purchase and sale agreement pursuant to which Mosaic (through its subsidiary Mosaic Limited Partnership) acquired its interest in Remote Waste (the "**RW Purchase Transaction**"), Remote Waste served a notice upon Milner and RWI claiming damages arising from breaches by Milner and RWI of various contractual representations, warranties and covenants contained within the agreements relating to the RW Purchase Transaction. The aggregate amount claimed is $3.16 million. If Milner or RWI dispute the claims then there is to be a period of negotiation and if the negotiation does not resolve the dispute then the dispute is to be settled via arbitration. A notice of dispute from Milner or RWI (or both) is anticipated but has not yet been served.

Mosaic is not aware of any penalties or sanctions imposed against it by a court relating to securities legislation or by a securities regulatory authority during Mosaic's financial year ended December 31, 2011 or any other penalties or sanctions imposed by a court or regulatory body against Mosaic that would likely be considered important to a reasonable investor in making an investment decision, and Mosaic has not entered into any settlement agreements before a court relating to securities legislation or with a securities regulatory authority during its financial year ended December 31, 2011.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed below, none of the directors or executive officers of Mosaic or any person or company that is the direct or indirect owner of, or exercise control or direction over, more than 10% of any class or series of Mosaic's outstanding voting securities, or any associate or affiliate of any of the foregoing persons, has or has had any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect Mosaic.

Pursuant to the Arrangement completed May 1, 2011 the Fund and First West became wholly-owned subsidiaries of Mosaic and the former securityholders of the Fund and First West became the securityholders of Mosaic. Both John Mackay (Director, Executive Chairman and Chief Executive Officer of Mosaic) and Harold Kunik (Director, President and Chief Financial Officer of Mosaic) were directly or indirectly securityholders of each of the Fund (each holding in excess of 30% of the common trust units, as well as a small number of preferred trust units) and First West (each holding approximately 4% of the common shares). They also held common share options of First West. In connection with the completion of the Arrangement, all securities held by Mr. Mackay and Mr. Kunik were exchanged for securities of Mosaic upon the same terms and conditions as all other holders of common trust units of the Fund, preferred trust units of the Fund, common shares of First West and common share options of First West, as the case may be.

TRANSFER AGENT AND REGISTRAR

Olympia Trust Company at its office in Calgary, Alberta is the transfer agent and registrar for the Common Shares and the Preferred Securities as well as being the trustee under the Preferred Securities Indenture.

MATERIAL CONTRACTS

There are no contracts entered into by Mosaic, other than those entered in the ordinary course of business (which contracts are not required by applicable securities law to be filed with a securities regulatory authority in Canada), that are material to Mosaic and that were entered into within the most recently completed financial year, or before the most recently completed financial year but are still in effect, except for the Preferred Securities Indenture and the Ambassador Acquisition Agreement. The key terms of the Preferred Securities Indenture and the Ambassador Acquisition Agreement are summarized under the heading "*Capital Structure – Preferred Securities*" and "*General Development of Mosaic's Business – 2012*" respectively. Copies of these material contracts have been filed under Mosaic's profile on SEDAR at www.sedar.com.

INTEREST OF EXPERTS

The auditors of Mosaic are Deloitte & Touche LLP, Chartered Accountants, of 700, 850 – 2nd Street SW Calgary, Alberta T2P 0R8. Deloitte & Touche LLP has prepared the audit report attached to Mosaic's audited consolidated financial statements for the financial year ended December 31, 2011. Deloitte & Touche LLP is independent from Mosaic within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

ADDITIONAL INFORMATION

Additional information relating to us may be found on SEDAR at www.sedar.com. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of Mosaic's securities and securities authorized for issuance under equity compensation plans, as applicable, will be contained in the information circular for the upcoming annual and special meeting of holders of Common Shares involving the election of directors. Additional financial information is provided in Mosaic's audited consolidated financial statements and management's discussion and analysis for the most recently completed financial year.

GLOSSARY OF TERMS

"**ABCA**" means the *Business Corporations Act* (Alberta) as amended, including the regulations made thereunder, as promulgated or amended from time to time;

"**AIF**" means this annual information form;

"**Ambassador Acquisition Agreement**" means the asset purchase agreement dated December 22, 2011 between Ambassador Mechanical Ltd., Oak Ridge Real Estate Ltd., Claude Cloutier and Ambassador Mechanical Corp. pursuant to which Mosaic purchased a 75% interest in the commercial and industrial mechanical contractors business which is now carried on by Ambassador Mechanical Corp.;

"**Arrangement**" means the arrangement, effective May 1, 2011, involving Mosaic, the Fund, First West and their respective securityholders under Section 193 of the ABCA on the terms and subject to the conditions set out in the plan of arrangement involving Mosaic, the Fund and First West;

"**Common Shares**" means the common shares in the capital of Mosaic;

"**Common Share Options**" means options to purchase Common Shares issued to persons entitled to Unit Options pursuant to the Arrangement, with each Common Share Option exercisable for 0.154 of a Common Share provided that any fractional interest upon exercise shall be rounded down to the nearest whole number of Common Shares;

"**CRA**" means Canada Revenue Agency;

"**First West**" means First West Properties Ltd., a corporation incorporated under the laws of the Province of Alberta;

"**Fund**" means Mosaic Diversified Income Fund, a trust created under the laws of the Province of Alberta and governed by the Fund Indenture;

"**Fund Indenture**" means the Fund's amended and restated trust indenture dated November 1, 2010, as amended;

"**GAAP**" means Canadian generally accepted accounting principles as in effect from time to time;

"**IFRS**" means the International Financial Reporting Standards promulgated by the International Accounting Standards Board, as in effect from time to time;

"**Mosaic**" means Mosaic Capital Corporation, a corporation incorporated under the laws of Alberta;

"**Mosaic Board**" means the board of directors of Mosaic;

"**Mosaic DRIP**" means Mosaic's distribution reinvestment plan in respect of interest payments on the Preferred Securities;

"**Options**" means options to purchase Common Shares issued under Mosaic's share-based compensation plan from time to time;

"**Preferred Securities**" means the preferred securities created and issued under the Preferred Securities Indenture;

"**Preferred Securities Indenture**" means the securities indenture dated April 29, 2011 between Mosaic and the Preferred Securities Trustee;

"**Preferred Securities Trustee**" means Olympia Trust Company or a similar trust company as may then be serving as the trustee under the Preferred Securities Indenture;

"**Series A Shares**" means the series A preferred shares in the capital of Mosaic;

"**Series A Share Options**" means options to purchase Series A Shares issued to persons entitled to Unit Options pursuant to the Arrangement, with each Series A Share Option exercisable for 0.077 of a Series A Share provided that any fractional interest upon exercise shall be rounded down to the nearest whole number of Series A Shares;

"**Series Shares**" means the preferred shares issuable in series in the capital of Mosaic;

"**Tax Act**" means the Income Tax Act (Canada) and the regulations thereunder, each as amended from time to time;

"**TSX-V**" means the TSX Venture Exchange;

"**Unit Options**" means options to purchase Common Shares and Series A Shares issued to holders of common share purchase options of First West pursuant to the Arrangement, with each Unit Option having given rise to the holder thereof being issued (i) one Common Share Option exercisable for 0.154 of a Common Share, and (ii) one Series A Share Option exercisable for 0.077 of a Series A Share, with any fractional interest (in each case) being rounded down to the nearest whole number of securities upon exercise.