

Interim Financial Statements

Mosaic Capital Corporation

as at March 31, 2011

(Expressed in Canadian Dollars)

(Unaudited)

MOSAIC CAPITAL CORPORATION

FINANCIAL STATEMENTS

PERIOD FROM FEBRUARY 11, 2011 TO MARCH 31, 2011

(Expressed in Canadian Dollars)
(Unaudited)

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Mosaic Capital Corporation

400, 2424 - 4th Street SW

Calgary, Alberta T2S 2T4

**MANAGEMENT'S RESPONSIBILITY FOR
UNAUDITED INTERIM FINANCIAL STATEMENTS**

The accompanying unaudited interim financial statements of Mosaic Capital Corporation (the "Company") is the responsibility of management.

The unaudited interim financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to such unaudited financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the financial position date. In the opinion of management, the unaudited financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34 Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established processes which are in place to provide it sufficient knowledge to support management representations that it has exercised reasonable diligence that (i) the unaudited interim financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of, and for the period presented by, the unaudited interim financial statements and (ii) the unaudited interim financial statements fairly present in all material respects the financial position of the Company, as of the date presented by the unaudited interim financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited interim financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the financial statements together with other financial information of the Company (if any) for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

Mosaic Capital Corporation
(Incorporated under the laws of Alberta)

Balance Sheet

March 31, 2011

(Expressed in Canadian Dollars)
(Unaudited)

	Notes	<u>March 31, 2011</u>	
Assets			
Current assets			
Cash and cash equivalents	4	\$ 5	.
		<u>\$ 5</u>	:
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	5	\$ 100,000	.
		<u>100,000</u>	.
Shareholder's Equity			
Share capital	6	5	
Deficit	5	<u>(100,000)</u>	.
		<u>(99,995)</u>	.
		<u>\$ 5</u>	:

The accompanying notes are an integral part of this financial statement

Subsequent event (note 8)

Approved by the Board,

(signed) "Harold Kunik" , Director

(signed) "John Mackay" , Director

Mosaic Capital Corporation
Statement of Loss and Comprehensive Loss
For the period from February 11, 2011 to March 31, 2011
(Expressed in Canadian Dollars)
(Unaudited)

	Notes	<u>March 31, 2011</u>
Revenue		<u>\$ -</u>
Expenses		
Professional fees	5	<u>100,000</u>
		<u>100,000</u>
Net loss and comprehensive loss		<u><u>\$ (100,000)</u></u>

Note: Comparatives for March 31, 2010 were not shown as company did not exist at that time.

Mosaic Capital Corporation

Statement of Changes in Equity

For the period from February 11, 2011 to March 31, 2011

(Expressed in Canadian Dollars)

(Unaudited)

	Notes	Number of Common Shares	Common Shares Stated Value	Deficit
Shares issued	6	1	\$ 5	
Net loss	5	-	-	(100,000)
as at March 31, 2011		<u>1</u>	<u>\$ 5</u>	<u>\$ (100,000)</u>

Mosaic Capital Corporation

Statement of Cash Flows

For the period from February 11, 2011 to March 31, 2011

(Expressed in Canadian Dollars)

(Unaudited)

	Notes	Period from February 11, 2011 to March 31, 2011
Net loss	5	\$ (100,000)
Non-cash items:		-
		<hr/>
		(100,000)
Changes in non-cash working capital		
Accounts payable and accrued liabilities		<hr/> 100,000
		<hr/> -
Financing activity		
Issuance of share capital	6	<hr/> 5
		<hr/> 5
Investing activity		
		<hr/> -
		<hr/> -
Change in cash and cash equivalents	4	<hr/> 5
Net cash and cash equivalents, beginning of period		<hr/> -
Net cash and cash equivalents, end of period	4	<hr/> <hr/> \$ 5

Note: Comparatives for March 31, 2010 were not shown as company did not exist at that time.

March 31, 2011

1. GENERAL INFORMATION

Mosaic Capital Corporation (the “Company”) was incorporated under the *Business Corporations Act* (Alberta) on February 11, 2011. The principal purpose for which the Company was formed is to acquire and invest in existing businesses. The Company also considers limited capital investments in start up companies, distressed asset situations, reorganizations of businesses, investment fund management, private equity, venture capital, and various other investment related opportunities.

2. BASIS OF PRESENTATION

This consolidated financial statement is presented and are in compliance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). This is the first year the Company has presented its financial statements using IFRS.

3. ACCOUNTING STANDARDS

The Company has applied all Standards and Interpretations issued or adopted by IASB and the International Financial Reporting Interpretations Committee (“IFRIC”) of the IASB that are relevant to its operations and effective for annual reporting periods beginning on January 1, 2010. The same accounting policies have been applied for all periods presented.

Relevant new standards and interpretations issued by the IASB and the IFRIC, but not yet effective and have not been applied to these financial statements, include:

New Standards		Effective for annual periods beginning on or after
IFRS 9	Financial Instruments: classification and measurement	January 1, 2013
Amendments to Standards		
IFRS 3	Business combinations	July 1, 2009
IAS 27	Consolidated and separate financial statements	July 1, 2009
IAS 24	Related party disclosures	January 1, 2011
IAS 32	Financial Instruments: presentation	February 1, 2010
IAS 39	Financial Instruments: recognition and measurement	June 30, 2009
New Interpretations		
IFRIC 17	Distributions of Non-cash assets to owners	July 1, 2009
IFRIC 19	Extinguishing financial liabilities with equity instruments	July 1, 2010

Management anticipates that those standards and interpretations deemed applicable to the Company's business will be adopted in the Company's financial statements of future periods as they become effective.

4. CASH AND CASH EQUIVALENTS

	March 31, 2011	
Bank balances	\$	5
	\$	5

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2011	
Accounts payable	\$	-
Accrued Liabilities	\$	100,000
	\$	-

This amount represents an accrual for estimated professional fees to March 31, 2011 for the costs of the plan of arrangement transactions outlined in subsequent events note 8. The total cost estimate is \$200,000 with the balance accrued in the subsequent period.

6. SHARE CAPITAL

	Number of Shares	Share Capital
Opening balance	Nil	\$0
Issue of shares	1	5
Closing balance	1	\$5

The Company is authorized to issue an unlimited number of common shares ("Common Shares") and an unlimited number of preferred shares, issuable in series. As at March 31, 2011 share capital consisted of 1 fully paid Common Share. The holders of Common Shares are entitled to one vote per share, dividends if and when declared by the board of the directors of the Company, and to the distribution of the residual assets of the Company in the event of the liquidation, dissolution or winding-up of the Company.

7. APPROVAL OF FINANCIAL STATEMENT

This financial statement was approved by the board of directors and authorized for issue on June 28, 2011.

8. SUBSEQUENT EVENTS

Effective May 1, 2011, the Company acquired Mosaic Diversified Income Fund (the "Fund") and First West Properties Ltd ("First West") pursuant to the terms of a plan of arrangement under Section 193 of the *Business Corporations Act* (Alberta) (herein the "Arrangement"). Under the Arrangement each of the Fund and First West became wholly-owned subsidiaries of the Company.

In connection with the Arrangement, holders of preferred units of the Fund received, for each preferred unit held by them, one preferred security in the capital of the Company ("Preferred Security") and 0.143 of a Common Share. Holders of common units of the Fund received 1,631.7 Common Shares for each common unit of the Fund held by them. Holders of common shares of First West received, for each common share held, 0.077 of a Preferred Security and 0.154 of a Common Share. In addition, holders of common share purchase options of First West exchanged those options for unit options of the Company on a basis so as to put the holders in materially the same economic position as they were prior to the arrangement transaction.

The Common Shares and the Preferred Securities were listed and commenced trading on the TSX Venture Exchange under the symbol "MZ" and "MZ.PR.A", respectively, on May 9, 2011.

On May 19, 2011 the Company obtained the approval of the TSX Venture Exchange (the "TSXV") to commence a normal course issuer bid (the "Bid") effective May 25, 2011 for its Common Shares. Under the rules of the TSXV, the Company is permitted to acquire up to 406,894 of its Common Shares under the Bid, representing 5% of the issued and outstanding Common Shares as of May 19, 2011. Subject to renewal of the Bid, the Bid for the Common Shares will terminate on the earlier of May 26, 2012 and the date on which the Company has acquired the maximum number of Common Shares permitted under the Bid. The Company may from time to time acquire its Common Shares at the then current market price through the facilities of the TSXV. The terms under which the Bid is being conducted only currently enable the Company to make purchases of Common Shares at times when the Company would otherwise ordinarily be permitted to be in the market having consideration to its own internal trading blackout periods and other insider trading rules. As at June 28, 2011 the Company had not yet made any acquisition of Common Shares pursuant to the Bid. All Common Shares acquired under the Bid will be cancelled. The actual number of Common Shares purchased, if any, the time of the purchases and the prices at which such Common Shares are purchased will depend on future market conditions. Purchases are being conducted on behalf of the Company by Raymond James Ltd. A copy of the Notice filed by the Company with the TSXV in respect to the Bid may be obtained, without charge, upon request to the Company at 2424 – 4th Street, S.W., Calgary, AB, T2S 2T4, Attention: Vice President, Corporate Affairs.

On May 19, 2011 the Company announced that it was instituting a program to commence market purchases of its Preferred Securities in circumstances where the Company believes the market price of such securities is not fully reflecting their underlying value and where the purchase of such securities would be an attractive and appropriate use of corporate funds. There is no set date upon which purchases of Preferred Securities are intended to cease, nor is there any restriction on the maximum number of Preferred Securities which may be acquired. The Company may from time to time acquire Preferred Securities at the then current market price through the facilities of the TSXV. The Company is only currently able to make purchases of Preferred Securities at times when the Company would otherwise ordinarily be permitted to be in the market having consideration to its own internal trading blackout periods and other insider trading rules. As at June 28, 2011 the Company had not yet made any acquisition of Preferred Securities under this purchase program. All Preferred Securities acquired under this program will be cancelled. The actual number of Preferred Securities purchased, if any, the time of the purchases and the prices at which such securities are purchased will depend on future market conditions. Purchases are being conducted on behalf of the Company by Raymond James Ltd.

On June 15, 2011, the Company paid a cumulative distribution of \$423,890 (\$0.08333 per security) to those holders of Preferred Securities who were holders as of May 31, 2011, the record date for the distribution.