MOSAIC CAPITAL

Management's Discussion and Analysis

For the Year Ended December 31, 2011

Dated: April 30, 2012

"Growth through sustainable cash flow."

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NOTE REGARDING FORWARD-LOOKING INFORMATION

This management's discussion and analysis ("MD&A") 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 MD&A 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 MD&A include, but are not limited to, statements with respect to: the intention of Mosaic Capital to make cash distributions on the Preferred Securities and pay quarterly dividends on the Common Shares; the outlook of Mosaic Capital's and its subsidiaries' businesses; the competitive environment in which Mosaic Capital and its business units operate; the business strategy and objectives of Mosaic Capital; development plans, as well as acquisition and disposition plans, of Mosaic Capital; the supply and demand for products and services; Mosaic Capital's ability to fund the interest payable on Preferred Securities and to meet current and future obligations; Mosaic Capital's ability to execute its growth strategy; the impact of federal income tax changes on Mosaic Capital and its subsidiaries; 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 MD&A. Some of the assumptions made by Mosaic Capital, upon which such forward-looking statements are based, include: the ability of Mosaic Capital to continue to conduct First West's commercial real estate business; the business operations of the operating businesses of Mosaic Capital continuing on a basis consistent with prior years; the ability of Mosaic Capital and its subsidiaries to access financing from time to time on favorable terms; the ability of Mosaic Capital 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 Capital 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 MD&A. 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 Capital; financial health of Mosaic Capital'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 Capital's subsidiaries, management of future growth initiatives, focus on Western Canada, competition impacting Mosaic Capital'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 MD&A are based upon what Mosaic Capital's management believes to be reasonable assumptions, Mosaic Capital 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 Capital. We caution readers of this MD&A 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 MD&A. The forward-looking statements are made as of the date of this MD&A and Mosaic Capital assumes no obligation to update or revise such information to reflect new events or circumstances, except as may be required by applicable law.

INTRODUCTION

This MD&A has been prepared by Mosaic Capital Corporation ("Mosaic Capital" or the "Company") as of April 30, 2012 and should be read in conjunction with the audited consolidated financial statements and related notes of Mosaic Capital for the year ended December 31, 2011. Results are reported in thousands of Canadian dollars, except per security data, unless otherwise stated and have been prepared in accordance with International Financial Reporting Standards ("IFRS"), including IFRS 1 "First Time Adoption of IFRS". Effective January 1, 2011, Mosaic Capital began reporting its financial results in accordance with IFRS, including comparative figures for 2010.

Readers of this MD&A should refer to "Accounting Policies" below for a discussion of IFRS and its effect on Mosaic Capital's financial presentation.

As Mosaic Diversified Income Fund (the "Fund") is the continuing entity for accounting purposes following the Arrangement (as defined below), the consolidated financial statements of Mosaic Capital as at and for the year ended December 31, 2011 are compared to the financial statements of the Fund as at December 31, 2010. Mosaic Capital adopted IFRS effective January 1, 2010. The consolidated financial statements of Mosaic Capital for the three and twelve months ended December 31, 2011 include the operations of Mosaic Capital from its incorporation date on February 11, 2011, the operations of the Fund since January 1, 2011 and the operations of First West Properties Ltd. ("First West") since its acquisition on May 1, 2011.

Subject to certain transition elections under the adoption of IFRS and the change of classification of the preferred units of the Fund from equity to debt under IFRS as well as the change of classification of the distributions on the preferred units of the Fund from distributions to interest under IFRS in each of the interim periods ended March 31, June 30, and September 30, 20-11, Mosaic Capital has consistently applied the same accounting policies in its opening IFRS statement of financial position at January 1, 2010 and throughout all periods presented. Note 31 of Mosaic Capital's December 31, 2011 annual consolidated financial statements discloses the impact of the transition to IFRS on Mosaic Capital's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in Mosaic Capital's consolidated financial statements for the year ended December 31, 2010.

Certain key performance indicators used by Mosaic Capital in this MD&A, including EBITDA, Free Cash Flow, Return on Common Equity and Preferred Security Payout Ratio, that are not recognized under IFRS and have no standardized meaning prescribed by IFRS are defined, quantified and analyzed under the heading "Key Performance Indicators and Non IFRS Financial Measures".

BACKGROUND

MOSAIC CAPITAL OVERVIEW

Mosaic Capital 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 strong sustainable cash flow from their operations. Our objective is to create long term value for our shareholders and business partners and to have that reflected in our share price. We believe that this is achieved by growing free cash flow per share and retained earnings. We do this by acquiring businesses that we understand at attractive prices and we manage our risk through extensive due diligence, creative transaction structuring and working closely with our businesses after acquisition. Mosaic Capital's current portfolio of businesses operate in the printing, oil and gas services, technology, infrastructure and real estate industries.

The common shares and preferred securities of Mosaic Capital trade on the TSX Venture Exchange under the symbols "M" and "M.PR.A", respectively.

Mosaic Capital's registered office is located at 400, 2424 - 4th Street SW, Calgary, Alberta, T2S 2T4.

EXPERIENCED TEAM WITH VISION

Mosaic Capital's management team brings together an extensive breadth of experience from involvement in billions of dollars' worth of transactions. 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.

In addition, we, along with the management teams of our operating companies, continue to look for acquisitions that would facilitate their entry into new markets or increase their product or service offerings. We are actively looking for businesses in a variety of industries that fit our investment model.

Our acquisition criteria for such businesses 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;
- The business should have a significant market share in its business area;
- A unique competitive advantage; and
- Ability to grow the business without significant amounts of new capital.

STRONG ALIGNMENT OF INTERESTS

We believe in the alignment of interest among our various stakeholders, including Mosaic Capital, our shareholders, our subsidiary company partners and Mosaic Capital's management team and employee group. Mosaic Capital's management team and employee group have a significant ownership of Mosaic Capital's common shares and preferred securities.

FINANCIAL RESOURCES FOR FUTURE GROWTH

Studies show that within Canada approximately 70% of medium sized businesses will change ownership over the next decade providing us with a tremendous opportunity to acquire good businesses that meet our criteria. Our financial position is strong with working capital as at December 31, 2011 of $23,997 including cash and cash equivalents of $20,303. Within our real estate division, First West, we have a real estate portfolio valued at approximately $20,000. This puts us in an excellent position to continue to execute on our business plan of buying great businesses.

PORTFOLIO OF BUSINESSES

Mosaic Capital acquires a control position in its businesses, which enables us to exercise the rights of ownership in making strategic decisions and managing risk. Mosaic Capital does not get involved in the daily operating decisions of the businesses. Mosaic Capital has two reportable business segments: Industrial and Real Estate.

Industrial - a portfolio of businesses that have a history of generating cash flow from their operations in niche markets.

- **Printing Unlimited L.P.** (100% ownership) is based in Fort McMurray, Alberta, and prints marketing and promotional materials, annual reports, operation manuals and handbooks, safety tags, stationary, carbonless forms, and photocopies.
- **Allied Cathodic Services L.P.** (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 Solutions L.P.** (90% ownership) is based in Red Deer, Alberta, and 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. Polar'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.
- **Remote Waste L.P.** (75% ownership) is based in Sexsmith, Alberta, and manufactures and leases biological wastewater treatment units used for remote work camps.

Real Estate - a portfolio of real estate assets in secondary markets throughout western Canada to which management can conduct activity to provide fundamental value growth.

- **First West** (100% ownership) is based in Calgary, Alberta and identifies and acquires, directly or indirectly, what management believes to be real estate with short and medium term price appreciation potential for added value through, among other things, leasing vacant space, re-leasing upon renewal at market rates and moving land through the land use planning process.

Corporate - this information covers all of the cost centers of Mosaic Capital that are not included in the segments above and primarily relates to corporate expenses.

RISK MANAGEMENT

Mosaic Capital invests significant time to understand the risks associated with our portfolio companies. These risks range from macro-economic factors to industry specific risks and individual business risks. It also includes risks that are largely beyond our reasonable control such as weather and commodity prices. Based on our assessment of the risks we work on various risk mitigation strategies that may involve deployment of technology, business process improvement, individual business and market diversification and overall corporate portfolio diversification.

Some risks are generally beyond our short term control. For example, over the past two years flooding and wet weather in southeast Saskatchewan and southwest Manitoba has interrupted operations at Allied Cathodic, pushing back work by as much as two months during their busiest time of year. This has created a short term reduction in income from operations. We continue to investigate business process improvements that may allow us to deal with these types of seemingly unpredictable factors.

DEVELOPMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

The following sets forth certain recent developments in the business of Mosaic Capital from the date of incorporation in February 2011 up to December 31, 2011. Recent developments since January 1, 2012 are discussed under the heading "Subsequent Events" below.

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

Sale of a parcel of land – On November 18, 2011, First West completed the sale of 3.16 acres of raw industrial land located at 2821 18 Avenue North in Lethbridge, Alberta for a price of $711 less disposal costs of $17. First West originally acquired 7.01 acres of raw industrial land in June 2007 for $1,332. As of December 31, 2011, 3.85 acres remain in the real estate portfolio. The purchase of this raw industrial land was part of the acquisition of the Decade Warehouse.

Sale of Eastview Shopping Centre – On October 31, 2011, First West completed the sale of the Eastview shopping centre located at 3010/3020 Arlington Avenue in Saskatoon, Saskatchewan for a price of $4,875 less disposal costs of $130. The property was 27,842 square feet on 1.5 acres leased to 13 retail tenants. The property was acquired in August 2008 for $3,090. The proceeds were used to pay the mortgage on the property of $1,898.

Purchase of Preferred Securities – On September 1, 2011 Mosaic Capital announced that it had recently purchased 21,900 (or less than 0.5%) of its preferred securities for cancellation bringing the total number of preferred securities issued and outstanding to 5,066,822.

Sale of Wentz Property – On June 15, 2011, First West completed the sale of the Wentz industrial warehouse located at 2525 Wentz Avenue in Saskatoon, Saskatchewan for a price of $4,933 less disposal costs of $175. The property was 62,268 square feet on 3.6 acres leased to 2 industrial tenants. The property was purchased in December 2007 for $2,630. The proceeds were used to pay the mortgage on the property of $1,542.

Distribution on Preferred Securities – On May 27, 2011, Mosaic Capital announced a $0.0833 monthly cash distribution per preferred security 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.

Normal Course Issuer Bid – On May 19, 2011, Mosaic Capital 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 (as hereafter defined). Pursuant to its normal course issuer bid, Mosaic Capital 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). As of the date of this MD&A, no common shares have been purchased pursuant to the normal course issuer bid.

Listing on the TSX Venture Exchange – On May 9, 2011, the common shares and preferred securities commenced trading on the TSX Venture Exchange.

Acquisition of Mosaic Diversified Income Fund – Mosaic Capital acquired the Fund effective May 1, 2011 pursuant to the terms of a Plan of Arrangement (the "Arrangement") approved by unitholders of the Fund on April 28, 2011. Under the terms of the Arrangement, the Fund became a wholly owned subsidiary of Mosaic Capital. The holders of preferred units of the Fund received one preferred security and 0.143 common shares in the capital of Mosaic Capital for each preferred unit held in the Fund. The holders of common units of the Fund received 1,631.7 common shares in the capital of Mosaic Capital for each common unit held in the Fund. The unitholders of the Fund, as a group, held approximately 62% of the common shares and 70% of the preferred securities of Mosaic Capital as of May 1, 2011.

Acquisition of First West – Also effective May 1, 2011, First West was acquired by Mosaic Capital and became a wholly owned subsidiary pursuant to the terms of the Arrangement. In connection with the transaction, holders of Class "A" common voting shares of First West received, for each Class "A" common voting share held, 0.077 of a preferred security and 0.154 of a common share of Mosaic Capital. In addition, holders of Class "A" common voting share purchase options of First West exchanged those options for Mosaic Capital unit options on a basis so as to put the holders in materially the same economic position as they were prior to the Arrangement. The Mosaic Capital unit options entitle the holders to receive the same mix of Preferred Securities and common shares as holders of Class "A" common voting shares of First West received under the Arrangement. The shareholders of First West held, as a group, approximately 38% of the common shares and 30% of the preferred securities of Mosaic Capital as of May 1, 2011.

Additional information on these recent developments can be found in Mosaic Capital's annual information form for the year ended December 31, 2011 (the "AIF"). The AIF is available under Mosaic Capital's profile at www.sedar.com or in the investor section of Mosaic Capital's website at www.mosaiccapitalcorp.com.

KEY PERFORMANCE INDICATORS AND NON-IFRS FINANCIAL MEASURES

Mosaic Capital has historically used various metrics when evaluating its operational and financial performance. Mosaic Capital continually monitors and evaluates its metrics and updates these metrics as required to ensure they provide information considered most useful, in the opinion of Mosaic management, to any decision making based on Mosaic Capital's performance.

This section defines, quantifies and analyzes the key performance indicators used by management of Mosaic Capital that are not recognized under IFRS and have no standardized meaning prescribed by IFRS and therefore are unlikely to be comparable to similar measures presented by other issuers.

<u>EBITDA</u>: is defined as Income from continuing operations before tax less (i) gain (loss) on sale of equipment; (ii) non-cash expenses such as amortization; (iii) finance income and expenses; (iv) share compensation expense; and (v) any unusual non-operating one-time items such as acquisition and reorganization costs. EBITDA is used by management to assess Mosaic Capital's normalized cash generated on a consolidated basis and in its operating segments. EBITDA is also a performance measure which may be utilized by investors to analyze the cash generated by Mosaic Capital and its operating segments.

<u>Free Cash Flow</u>: is defined as EBITDA less non-controlling interest, and Mosaic Capital's share of the Sustaining Capital Expenditures. Free Cash Flow is a performance measure used by management to summarize the funds available for (i) the payment of distributions to holders of preferred securities and common shares, (ii) investment in capital expenditures made to grow the enterprise, (iii) new acquisitions and working capital.

<u>Sustaining Capital Expenditures</u>: is defined as capital expenditures required to sustain the operations of Mosaic Capital at its current level of operations. Growth capital expenditures are those capital expenditures that are

made to grow the enterprise and are expected to generate additional EBITDA. An example of Sustaining Capital Expenditures would be the replacement of vehicles that have completed their useful life.

Return on Common Equity: means that number, expressed as a percentage, that is obtained by dividing (i) Free Cash Flow less distributions paid to holders of preferred securities during the period indicated by (ii) weighted average Common Shareholders' equity for the period. Management believes Return on Common Equity is a key performance measure as it indicates the return generated by the Company on its common equity, however due to the Fund being the continuing entity for accounting purposes following the Arrangement, Return on Common Equity would not currently be representative of our performance and accordingly management will start reporting on this metric in subsequent periods.

Preferred Security Payout Ratio: means that number, expressed as a percentage, which is the cash paid to holders of preferred securities, series "A" shares and preferred units during the period divided by Free Cash Flow for the period. Management believes that this metric may be useful to investors in assessing the likelihood that Mosaic Capital is able to continue to make distributions on preferred securities and series A shares.

Investors are cautioned that EBITDA, Free Cash Flow, Return on Common Equity, and Preferred Security Payout Ratio should not be viewed as an alternative to measures that are recognized under IFRS such as net income or cash from operating activities. The distributions and dividends paid by Mosaic Capital to its security holders are dependent on its cash flow from operating activities with consideration for changes in working capital requirements, investing activities and financing activities. Mosaic Capital's method of calculating EBITDA, Free Cash Flow, Return on Common Equity, and Preferred Security Payout Ratio may differ from that of other entities and therefore may not be comparable to measures utilized by them.

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FINANCIAL HIGHLIGHTS

The financial highlights for Mosaic Capital for the periods indicated are as follows:

	Mosaic Capital Corporation and Mosaic Diversified Income Fund			Mosaic Diversified Income Fund		
FINANCIAL PERFORMANCE	2011	per common share (basic)	per common share (diluted)	2010	per common share[2] (basic)	per common share[2] (diluted)
For the year ended December 31						
Revenue	$ 23,654	2.91	2.83	$ 20,384	4.03	4.03
EBITDA	5,383	0.66	0.64	6,415	1.27	1.27
Free cash flow	3,747	0.46	0.45	5,142	1.02	1.02
Preferred distributions paid[4]	2,850			1,583		
Common share dividends	-	-	-	-	-	-
Preferred security payout ratio	76%			N/A		
For the three month period ended December 31						
Revenue	$ 7,110	0.87	0.85	$ 5,857	1.15	1.15
EBITDA	1,415	0.17	0.17	1,381	0.27	0.27
Free cash flow	925	0.11	0.11	1,255	0.25	0.25
Preferred distributions paid[4]	832			401		
Common share dividends	-	-	-	-	-	-
Preferred security payout ratio	90%			N/A		
FINANCIAL POSITION	December 31, 2011			December 31, 2010		
Working capital	$ 23,997			$ 12,397		
Property, plant and equipment	4,685			4,496		
Total assets	70,043			38,462		
Preferred trust units	-			32,338		
Mortgages payable	4,862			-		
Equity attributable to equity holders	61,237			2,569		
SHARE INFORMATION	December 31, 2011			December 31, 2010		
Common shares/units	8,137,848			4,572,023 [3]		
Preferred securities/units	5,066,822			3,435,484 [3]		

Notes:

(1) EBITDA, Free Cash Flow and Preferred Security Payout Ratio are not recognized measures under IFRS and are defined under the heading "Key Performance Indicators and Non-IFRS Financial Measures".

(2) Reflects the conversion of the 2,802 common units of the Fund outstanding on December 31, 2010 into 4,572,023 common shares based on the exchange ratio approved as part of the Arrangement of 1,631.7 common shares for each outstanding common unit.

(3) Reflects the number of preferred units of the Fund outstanding on December 31, 2010 and the proforma number of common units of the Fund based on the exchange ratio approved as part of the Arrangement of 1631.7 common shares for each outstanding common unit. The exchange ratio for preferred units of the Fund was one preferred security and 0.143 of a common share for each preferred unit held.

(4) Includes distributions on preferred securities of Mosaic Capital and interest on preferred units of the Fund.

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EBITDA AND FREE CASH FLOW

The following reconciles Income before tax to EBITDA and Free Cash Flow.

EBITDA periods ended December 31		Three months ended December 31 2011	2010	Year ended 2011	2010
Income from continuing operations before tax		$ 432	$ 934	$ 2,272	$ 4,757
	Amortization	508	437	1,879	1,638
	Share based compensation	505	-	505	-
	Non-operating items				
	Reorganization costs	-	-	552	-
	(Gain) Loss on sale of equipment	(29)	-	20	8
	(Gain) Loss on redemption of units	-	14	-	-
	Finance income	(77)	(7)	(92)	(13)
	Finance expense	76	3	247	25
EBITDA		$ 1,415	$ 1,381	$ 5,383	$ 6,415

FREE CASH FLOW periods ended December 31		Three months ended December 31 2011	2010	Year ended 2011	2010
EBITDA		$ 1,415	$ 1,381	$ 5,383	$ 6,415
	Non-controlling interest	397	101	968	742
	Mosaic's share of Sustaining Capital Expenditures	93	25	668	531
FREE CASH FLOW		925	1,255	3,747	5,142

DISTRIBUTIONS & PREFERRED SECURITY PAYOUT RATIO

Information regarding the distributions declared and paid to holders of preferred securities and preferred units during the year ended December 31, 2011 and comparative periods in 2010 is set forth below.

As part of the Arrangement the board of directors of Mosaic Capital approved the Mosaic Capital distribution reinvestment plan (the "DRIP") under which distributions paid on preferred securities to eligible participants may be automatically reinvested into additional preferred securities at the election of the holder of preferred securities.

The Arrangement provided that all holders of preferred units in the Fund who were enrolled in the Fund's DRIP and are eligible under the DRIP were automatically enrolled into the DRIP as at the effective time of the Arrangement with respect to the preferred securities received by such participants. First West did not have a dividend reinvestment plan. Accordingly, the percentage participation in the DRIP was reduced when compared to the participation under the Fund's distribution reinvestment plan as a result of the issuance of preferred securities to holders of First West common shares pursuant to the Arrangement, none of which were automatically enrolled in the DRIP.

Under the DRIP, holders of preferred securities who are residents of Canada and are participating in the plan will have distributions relating to their preferred securities reinvested into preferred securities. The difference between distributions declared and distributions paid is related to securities that were purchased through the facilities of the TSX Venture Exchange to satisfy the DRIP. The DRIP allows Mosaic Capital to elect to have the preferred securities purchased on the open market or issued from treasury.

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Record Date	2011 Distributions Declared	2011 Distributions Paid in Cash	2011 DRIP Participation (2)	2010 Distributions Declared	2010 Distributions Paid	2010 DRIP Participation (2)
January	$ 293	$ 134	54%	$ 280	$ 128	54%
February	295	134	55%	282	129	54%
March	296	134	55%	282	131	54%
April	298	297	0%	284	132	54%
May (1)	423	264	38%	285	132	54%
June (1)	424	259	39%	286	132	54%
July 31 (1)	423	263	38%	287	132	54%
August 31 (1)	423	263	38%	288	133	54%
September 30 (1)	422	265	37%	290	133	54%
October 31 (1)	422	266	37%	291	133	54%
November 30 (1)	422	275	35%	292	134	54%
December 31 (1)	422	286	32%	292	134	54%
	$ 4,563	$ 2,840	38%	$ 3,439	$ 1,583	54%

Note:
(1) Since listing on the TSX Venture Exchange in May 2011 Mosaic Capital elected to satisfy its obligation under the DRIP by purchasing preferred securities through the facilities of the TSX Venture Exchange rather than issuing preferred securities from treasury.
(2) Percentage of distributions on preferred units or preferred shares with respect to which the holders of securities have elected to participate in the DRIP.

For the three months to December 31, 2011, Mosaic Capital declared distributions on preferred securities of $1,266 (2010 - $Nil). Also during this period Mosaic Capital declared distributions on preferred units of the Fund of $Nil (2010 - $875) and on common trust units of the Fund of $Nil (2010 - $990).

For the three months to December 31, 2011, Mosaic Capital paid distributions to preferred security holders in the amount of $827 (2010 - $Nil). Also during this period Mosaic Capital paid distributions to preferred unitholders of the Fund of $Nil (2010 - $401) and on common trust units of $Nil (2010 - $Nil).

For the year ended December 31, 2011, Mosaic Capital declared distributions on preferred securities of $3,381 (2010 - $Nil). Also during this period Mosaic Capital declared distributions on preferred trust units of the Fund of $1,182 (2010 - $3,439) and on common trust units of the Fund of $Nil (2010 - $Nil).

For the year ended December 31, 2011, Mosaic Capital paid distributions to preferred security holders in the amount of $1,854 (2010 - $Nil). Also during this period Mosaic Capital paid distributions to preferred trust unit holders of the Fund of $699 (2010 - $1,583) and distributions to common trust units of $990 (2010 - $540).

At December 31, 2011, holders of preferred securities representing approximately 32% of the outstanding preferred securities participated in the DRIP. The DRIP allows Mosaic Capital to elect to have the preferred securities purchased on the open market or issued from treasury. Since listing on the TSX Venture Exchange in May 2011 Mosaic Capital elected to satisfy its obligations under the DRIP by purchasing preferred securities through the facilities of the TSX Venture Exchange.

The Preferred Security Payout Ratios for the periods indicated are as follows:

Preferred security payout ratios	2011
Year ended December 31,	76%
Three month period ended December 31,	90%

DIVIDENDS

Dividends are payable monthly on series "A" shares issued and outstanding. Each series "A" share has a right to the same payout that is declared for a preferred security but, the payments is issued as a dividend.

For the three months to December 31, 2011 Mosaic Capital declared dividends on series "A" shares of $5 (2010 - $Nil).

For the three months to December 31, 2011 Mosaic Capital paid dividends to series "A" shareholders of $5 (2010 - $Nil).

For the year ended December 31, 2011 Mosaic Capital declared dividends on series "A" shares of $12 (2010 - $Nil).

For the year ended December 31, 2011 Mosaic Capital paid dividends to series "A" shareholders of $10 (2010 - $Nil).

OUTLOOK

Mosaic Capital's management team primarily focuses on improving results within Mosaic Capital's different operating segments and acquiring businesses that fit our investment criteria. We manage risk through extensive due diligence, creative transaction structuring and by working closely with acquired businesses after acquisition.

The businesses in Mosaic Capital`s Industrial segment generally benefit from the growth of oil and gas exploration, development and production in western Canada. According to the Canadian Association of Petroleum Producers (CAPP) the forecast for oil and gas activities and oil sands production calls for more robust growth in Canadian crude oil production in 2012 compared to the previous year.

Within the Real Estate segment Mosaic Capital benefits from economic growth in the markets in which it owns real estate. We are currently marketing our real estate properties in Fort McMurray and Lethbridge and have recently sold our properties in Saskatoon. These sales are not a reflection of our views of property in these markets but rather that we have completed the catalyst events on the properties to add value and accordingly they were sold as part of the normal operations of the Real Estate segment. We are continuing to review potential acquisition targets in this segment.

In the Industrial segment, we have continued to expand our network of business acquisition referral sources and have seen an increase in deal flow for potential acquisition targets and expect this trend to continue as a result of the efforts of management in markets across western Canada.

We expect Mosaic Capital's future share of sustaining capital expenditures in connection with the businesses that Mosaic Capital owned at December 31, 2011 will remain consistent with the 12 month periods ended December 31, 2010 and 2011.

Effective January 1, 2012, Mosaic Capital completed the acquisition of a 75% interest in the business now carried on by Ambassador Mechanical Corp. Mosaic Capital's cost of acquisition was $14,625,000 and was funded through a combination of cash and vendor take back financing. The acquisition is expected to be immediately accretive to Mosaic Capital's Free Cash Flow and Free Cash Flow per common share.

The acquisition of Mosaic Capital’s interest in Ambassador Mechanical Corp had the effect of reducing cash and increasing non-cash working capital, tangible and intangible assets and notes payable subsequent to the period ended December 31, 2011.

FINANCIAL REVIEW AND DISCUSSION OF RESULTS

The following information should be read in conjunction with the audited consolidated financial statements of Mosaic Capital for the year ended December 31, 2011 and the audited consolidated financial statements of the Fund for the year ended December 31, 2010.

The most significant impacts of the adoption of IFRS, together with details of IFRS exemptions taken, are described in the "Accounting Policies" and "Recent Accounting Pronouncements" sections of this MD&A. Comparative information has been restated to comply with IFRS requirements.

Mosaic Capital - Consolidated

Selected balance sheet information						
in thousands of Canadian dollars		Dec 31, 2011		Dec 31, 2010		Jan 1, 2010
Cash and cash equivalents	$	20,303	$	10,395	$	9,154
Accounts receivable		5,869		4,386		4,479
Total current assets		27,294		15,540		14,194
Income producing properties		19,595		-		-
Total non-current assets		42,749		22,922		23,760
Total assets	$	70,043	$	38,462	$	37,954
Total current liabilities	$	3,297	$	3,143	$	3,718
Mortgages payable		4,862		-		-
Preferred trust units		-		32,338		30,728
Total non-current liabilities		5,509		32,750		30,900
Total equity attributable to equity holders	$	61,237	$	2,569	$	3,336
Working capital	$	23,997	$	12,397	$	10,476

Selected income and expense information	Three months ended Dec 31,				Year ended Dec 31,					
in thousands of Canadian dollars		2011		2010		2011		2010		2009
Revenue	$	7,110	$	5,857	$	23,654	$	20,384	$	20,915
Operating expenses		5,695		4,476		18,271	$	13,969	$	13,252
Income from operations		1,415		1,381		5,383	$	6,415	$	7,663
Income before other items		432		934		2,824		4,757		5,673
Reorganization costs		-		-		552		-		-
Income from continuing operations before tax		432		934		2,272		4,757		5,673
Income and comprehensive income	$	26	$	(171)	$	673	$	1,088	$	4,348
Net income from continuing operations before tax attributed to:										
Shareholders'/Unit holders'	$	35	$	833	$	1,304	$	4,015	$	4,348
Non-controlling interest		397		101		968		742		1,325
	$	432	$	934	$	2,272	$	4,757	$	5,673
Shareholders'/Unit holders' per share - basic	$	-	$	0.18	$	0.16	$	0.88	$	0.95
Shareholders'/Unit holders' per share - diluted	$	-	$	0.18	$	0.16	$	0.88	$	0.95
Income (loss) and comprehensive income (loss) attributed to:										
Shareholders'/Unit holders'	$	(371)	$	(272)	$	(295)	$	346	$	3,023
Non-controlling interest		397		101		968		742		1,325
	$	26	$	(171)	$	673	$	1,088	$	4,348
Shareholders'/Unit holders' per share - basic	$	(0.05)	$	(0.06)	$	(0.04)	$	0.08	$	0.66
Shareholders'/Unit holders' per share - diluted	$	(0.04)	$	(0.06)	$	(0.04)	$	0.08	$	0.66

Note:
(1) See "Share Information" in the table under the heading "Financial Highlights".

The following provides a discussion of the financial position as at December 31, 2011, and the results of operations for the three months and year ended December 31, 2011, with comparative reference to the same periods ended December 31, 2010.

Mosaic Capital

As at December 31, 2011, working capital was $23,997 (Dec 31, 2010 - $12,397) an increase of $11,600, primarily as a result of the acquisition of First West pursuant to the Arrangement. Total assets increased from $38,462 to $70,043 primarily as a result of the acquisition of Frist West pursuant to the Arrangement and total liabilities decreased from $35893 to $8,806 primarily as a result of the reclassification of the preferred trust units from liabilities to equity.

For the three months ended December 31, 2011, revenue increased $1,253 to $7,110 (2010 - $5,857) which was primarily related to an increase in overall activity levels in the Industrial segment, and the inclusion of revenue from First West during the period. The increase in operating expense for the three month period to $5,695 (2010 $4,476) was primarily related to higher costs attributable to increased activity in the Industrial segment operations, and the addition of personnel and operating expenses in Mosaic Capital as a result of increased deal flow and acquisition investigation activity and costs relating to being a listed company. The decrease in Income from continuing operations before tax to $432 (2010 - $934) was primarily a result of an increase in amortization as a result of the acquisition of First West and increased cash variable compensation and share based compensation expense which were recorded in the three months ended December 31, 2011.

For the year ended December 31, 2011, revenue increased $3,270 to $23,654 (2010 - $20,384) which was primarily related to the same reasons as were the case in the three month period ended December 31, 2011. The increase in operating expense to $18,271 (2010 - $13,969) was primarily related to the same reasons as were the case for the three month period ended December 31, 2011. Acquisition costs of $552 (2010 - $Nil) were directly related to the Arrangement. The reduction in Income from continuing operations before tax to $2,272 (2010 - $4,757) is as a result of the increase in operating expenses being greater than the increase in revenue, increased amortization, share based compensation and costs associated with the Arrangement.

Mosaic Capital - Segmented Information

Industrial

Selected income and expense information for the Industrial segment	**Three months ended December 31,**		**Year ended December 31,**	
In thousands of Canadian dollars	**2011**	**2010**	**2011**	**2010**
Revenue	$ 6,746	$ 5,857	$ 22,229	$ 20,384
Operating expenses	4,097	4,476	15,342	13,969
Income from operations	2,649	1,381	6,887	6,415
Income before other items	2,229	934	5,227	4,757
Income from continuing operations before tax	2,229	934	5,227	4,757
Income and comprehensive income	$ 1,860	$ (171)	$ 3,676	$ 1,088

Revenue in the Industrial segment increased $889 for the three months ended December 31, 2011 to $6,746 (2010 - $5,857). Revenue increased $1,845 for the year ended December 31, 2011 to $22,229 (2010 - $20,384). For both the three months and year ended December 31, 2011 we saw increases in activity in our operations in Alberta, this was somewhat offset by decreased activity in southeast Saskatchewan and southwest Manitoba due to weather conditions which impacted operating activity levels.

Operating expenses decreased $379 for the three months ended December 31, 2011 to $4,097 (2010 - $4,476). The decrease in operating expenses was primarily a result of increased operating efficiencies. Operating expenses increased $1,373 for the year ended December 31, 2011 to $15,342 (2010 – $13,969). The increase in operating expenses was primarily as a result of an increase in lower margin oilfield service activity in Alberta and a reduction in higher margin activities in southeast Saskatchewan due to excess rainfall and flooding which eliminated certain operational efficiencies.

As a result of the increase in revenue and reduction in operating expenses, income from operations increased $1,268 for the three months ended December 31, 2011 to $2,649 (2010 - $1,381) and income from operations increased $472 for the year ended December 31, 2011 to $6,887 (2010 - $6,415).

In 2010, the Fund did not have an Industrial Segment, however all of the businesses that are in Mosaic Capital's Industrial segment as at December 31, 2011 were owned by the Fund in 2009.

During the year ended December 31, 2010, the Fund earned revenue of $20,384 (2009 – $20,915) and incurred direct operating expenses of $13,969 (2009 – $13,252), resulting in Operating Income of $6,415 (2009 - $7,663). This is a decrease of $1,248 over Operating Income for the same period in 2009 primarily as a result of reduced customer budgets, an economic slow-down in oil & gas production activity, and unusual amounts of rain in southern Saskatchewan which reduced activity in that area.

Real Estate

Selected income and expense information for the Real Estate segment	Three months ended December 31,		245 days December 31,	
In thousands of Canadian dollars	2011	2010	2011	2010
Revenue	364	-	1,425	-
Operating expenses	298	-	811	-
Income from operations	$ 66	$ -	$ 614	$ -
Income before other items	17	-	233	-
Income (loss) from continuing operations	(92)	-	233	-
Income (loss) and comprehensive income (loss)	$ (20)	$ -	$ 185	$ -

Mosaic Capital's real estate segment contains eight months of operations due to the fact that the acquisition of First West occurred pursuant to the Arrangement effective May 1, 2011. As a result there are no comparatives for prior periods.

Income producing properties are comprised primarily of industrial and commercial buildings. These properties are primarily in secondary markets in Alberta and Saskatchewan.

The real estate segment had revenue of $364 and $1,425 for the three months and year ended December 31, 2011. Operating costs were $298 and $811 for the three months and year ended December 31, 2011. This resulted in income from operations of $66 and $614 for the three months and year ended December 31, 2011. The primary operating costs relate to the income producing properties in the real estate segment which were not recovered from tenants. The reduction in Income from continuing operations to ($20) from $185 is primarily attributable to a one time income tax charge that related to prior periods and finance expenses related to interest on mortgages on several of the income producing properties.

The most significant activity during the eight months from May 1, 2011 to December 31, 2011 was as follows:

On June 15, 2011, First West completed the sale of an income producing property in Saskatoon, Saskatchewan. There is no accounting gain or loss on this sale as the property was revalued as at May 1, 2011 as a result of the acquisition of First West pursuant to the Arrangement. First West purchased the property comprised of $813 in cash and a mortgage of $1,817. The property was sold for $4,933 less disposal costs of $175 and First West received $3,116 cash after it repaid the mortgage outstanding in the amount of $1,542. The impact to the audited consolidated financial statements was to increase cash, reduce mortgages payable and reduce income producing properties.

On October 31, 2011, First West completed the sale of an income producing property in Saskatoon, Saskatchewan. First West purchased the property for $930 in cash and a mortgage of $2,160. The property was sold for $4,875 less disposal costs of $130. First West received $2,706 cash after it repaid the mortgage outstanding in the amount of $1,898. There was a loss on sale recorded on this transaction of $81. The impact to the audited consolidated financial statements was to increase cash, reduce mortgages payable, reduce income producing properties and record a loss on sale.

On November 18, 2011, First West completed the sale of a portion of a parcel of industrial land (3.16 acres) located in Lethbridge, Alberta for a price of $711 less disposal costs of $17. First West received $496 in cash after adjustments. There is no gain or loss on this sale as the land was revalued as at May 1, 2011 as a result of the acquisition of First West pursuant to the Arrangement. The impact to the audited consolidated financial statements was to increase cash, and reduce property held for development.

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Non-segmented - Corporate Expenses

Selected income and expense information for the non-segmented corporate expenses	Three months ended December 31,		Year ended December 31,	
In thousands of Canadian dollars	2011	2010	2011	2010
Revenue	-	-	-	-
Operating expenses	1,300	-	2,118	-
Income from operations	$ (1,300)	$ -	$ (2,118)	$ -
Income before other items	(1,814)	-	(2,636)	-
Reorganization costs	-	-	552	-
Income from continuing operations	(1,814)	-	(3,188)	-
Income and comprehensive income	$ (1,814)	$ -	$ (3,188)	$ -

Corporate expenses are considered non-segmented for the purposes of IFRS. The corporate expenses were $1,300 (2010 - $Nil) and $2,118 (2010 - $Nil) for the three months and year ended December 31, 2011. The year ended December 31, 2011 only included 245 days of operation as Mosaic Capital had no operations prior to completion of the Arrangement. A significant portion of the corporate expenses in 2011 were related to increased share compensation expense, increased variable compensation expense and the reallocation of personnel in May 2011 from the Fund to corporate expenses as their work covers all areas of Mosaic Capital.

Reorganization costs were $Nil for the three months ended December 31, 2011 (2010 - $Nil) and $552 for the year ended December 31, 2011 (2010 - $Nil) which were directly related to the costs of the Arrangement. These costs are not expected to occur next year.

SUMMARY OF QUARTERLY RESULTS

Under IFRS, the Fund's preferred trust units are classified as debt and distributions paid on such units are classified as interest. Previously filed financial results for the three quarters of 2011 classified the preferred trust units as equity and distributions as dividends consistent with the Fund's past disclosure. The following table and other information in this MD&A reflect IFRS classification.

The following table provides selected quarterly financial information for each of Mosaic's eight most recently completed quarters.

in $ thousands Canadian	Mar 31, 2010	Jun 30, 2010	Sep 30, 2010	Dec 31, 2010	Mar 31, 2011	Jun 30, 2011	Sep 30, 2011	Dec 31, 2011
	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
Revenue	$ 4,303	$ 4,106	$ 6,118	$ 5,857	$ 5,611	$ 4,165	$ 6,768	$ 7,110
Operating expenses	2,740	3,116	3,628	4,485	3,931	3,653	4,992	5,695
Income from operations	1,563	990	2,490	1,372	1,680	512	1,776	1,415
Income from continuing operations before tax	1,160	644	2,042	911	1,296	(511)	1,055	432
Income (loss)	$ 124	$ (308)	$ 802	$ (74)	$ 109	$ (637)	$ 735	$ (502)
Income (loss) from continuing operations before tax attributed to:								
Shareholders'/Unit holders' per share - basic	$ 0.21	$ 0.12	$ 0.37	$ 0.16	$ 0.21	$ (0.05)	$ 0.09	$ 0.00
Shareholders'/Unit holders' per share - diluted	$ 0.21	$ 0.12	$ 0.37	$ 0.16	$ 0.21	$ (0.05)	$ 0.09	$ 0.00
Income (loss) and comprehensive income (loss) attributed to:								
Shareholders'/Unit holders' per share - basic	$ 0.03	$ (0.07)	$ 0.18	$ (0.02)	$ 0.02	$ (0.08)	$ 0.09	$ (0.06)
Shareholders'/Unit holders' per share - diluted	$ 0.03	$ (0.07)	$ 0.18	$ (0.02)	$ 0.02	$ (0.08)	$ 0.09	$ (0.06)

Note:
(1) See "Share Information" in the table under the heading "Financial Highlights".

Readers should note that the above information is unaudited. Quarter-to-quarter comparisons of our financial results are not necessarily meaningful and should not be relied upon as an indication of future performance. See "Risk Factors"

PROPERTY HELD FOR DEVELOPMENT

On November 18, 2011, First West completed the sale of a portion of a parcel of land (3.16 acres) located in Lethbridge, Alberta for a price of $711 less disposal costs of $17. First West received $496 in cash after adjustments. There is no gain or loss on this sale as the property was revalued as at May 1, 2011 as a result of the acquisition of First West pursuant to the Arrangement. The impact to the audited consolidated financial statements was to increase cash, and reduce property held for development.

At December 31, 2011, the Real Estate segment held raw industrial land in Lethbridge, Alberta with a book value of $439.

PROPERTY, PLANT AND EQUIPMENT

The carrying value of property, plant and equipment increased to $4,685 at December 31, 2011 from $4,496 at December 31, 2010. The increase of $189 primarily relates to purchases of motor vehicles and production and rental equipment acquired by the operating businesses, less amortization recorded for the period.

		December 31, 2011		December 31, 2010
in thousands of Canadian dollars	Cost	Amortization	Net Book Value	Net Book Value
Land	$ -	$ -	$ -	$ 57
Motor Vehicles	1,466	688	778	597
Computer Equipment	451	269	182	177
Equipment	4,652	1,248	3,404	3,290
Parts Inventory	438	203	235	295
Furniture and fixtures	169	83	86	78
Leasehold improvements	5	5	-	2
	$ 7,181	$ 2,496	$ 4,685	$ 4,496

The property, plant and equipment is recorded at cost and subsequently amortized at the following rates and methods:

Buildings	Declining balance	2%
Computer Equipment	Declining balance	30%
Furniture & Fixtures	Declining balance	20%
Leasehold Improvements	Straight line	Term of Lease
Motor Vehicles	Declining balance	30%
Parts inventory	Declining balance	20%
Production equipment	Declining balance	20%
Rental equipment	Straight line	20 years

The residual value, if significant, is reassessed annually.

GOODWILL AND OTHER INTANGIBLE ASSETS

The carrying value of goodwill and other intangible assets decreased to $17,585 at December 31, 2011 from $18,426 at December 31, 2010. The decrease of $841 primarily relates to the amortization of non-goodwill assets. The goodwill and other intangible assets were acquired primarily in connection with the acquisition of Mosaic Capital's operating subsidiaries. They included:

in thousands of Canadian dollars	Net Book Value December 31, 2011	Net Book Value December 31, 2010
Goodwill	$ 7,906	$ 7,906
Customer relationships	8,332	9,092
Intellectual property	1,107	1,205
Employment agreements	118	138
Non-competition agreements	35	59
Computer software	37	26
Step-up leases	50	-
	$ 17,585	$ 18,426

Mosaic Capital tests for impairment of goodwill annually, or more frequently, if events occur that could result in impairment. To date, management has determined that there has been no impairment in the carrying value of goodwill.

Other intangible assets such as customer relationships, employment agreements and non-competition agreements are amortized over their expected economic lives as follows:

Computer Software	Straight line	100%
Customer relationships	Straight line	15 years
Employment agreements	Straight line	10 years
Intellectual property	Straight line	10 years
Non-compete agreements	Straight line	5 years
Step-up Leases	Term of lease	Term of lease

Intangible assets besides goodwill are tested for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. To date, management has determined that there has been no impairment in the carrying value of intangible assets.

MORTGAGES PAYABLE

One of Mosaic Capital's subsidiaries has entered into various loans with a Canadian chartered bank, and in respect to each, has issued a mortgage and a demand promissory note.

There are three floating rate demand loans that have an aggregate principal balance of $4,862 as at December 31, 2011 with each such loan having a maturity date of the earlier of (i) January 28, 2015, (ii) the end of the elected term in the event that the loan is converted from floating rate to fixed rates; and (iii) the date payment is demanded as a result of default. The floating rate loan facilities are payable at the greater of 4.75% or bank prime rate plus 1%. Bank prime rate at December 31, 2011 was 3%. The loans have fixed monthly blended payments ranging from $4 to $24. The loans are reviewed, at least annually, by the lender.

Each loan is in respect of a specific property and is secured by a mortgage charge against, and a general security agreement charging present and after-acquired personal property of First West in respect of, that specific property. The specific properties charged by this security have a net book value of $12,200.

One fixed rate loan, in the amount of $1,542 and one floating rate loan in the amount of $1,898 was repaid during the period.

NOTES PAYABLE AND SUMMARY OF SCHEDULED PAYMENTS

Notes payable includes vehicle financing, capital leases and notes payable to a former minority partner. The balance outstanding as at December 31, 2011 is $619 ($587 at December 31, 2010), and the fair value of the notes is $619 ($587 at December 31, 2010).

The payments of principal amounts owing on the above amounts as well as vehicle and equipment financing over the next five years are scheduled as follows:

in thousands of Canadian dollars		**Cash payments**
Year ended December 31,		
2012		355
2013		164
2014		88
2015		12
	$	619

NON-CONTROLLING INTEREST

Non-controlling interest primarily consists of capital contributions and accumulated earnings, less distributions paid to 'Mosaic Capital's minority partners.

During the three months ended December 31, 2011 $397 (2010 - $101) of Mosaic Capital's income (loss) was allocated to non-controlling interests and cash distributions of $110 (2010 - $0) were paid to holders of the non-controlling interests.

During the year ended December 31, 2011, $968 (2010 - $742) of Mosaic Capital's income was allocated to non-controlling interests and cash distributions of $873 (2010 - $591) were paid to holders of the non-controlling interests.

LIQUIDITY AND CAPITAL RESOURCES

Mosaic Capital's primary capital resources for meeting its cash commitments are existing working capital and cash generated from the operations of its subsidiaries. From time to time Mosaic Capital's subsidiaries may obtain and draw down on lines of credit, however as at December 31, 2011 no lines of credit were in place. At December 31, 2011, Mosaic Capital had positive working capital of $23,997 (December 31, 2010 - $12,397) including cash and cash equivalents of $20,303 (December 31, 2010 - $10,395), accounts receivable of $5,869 (December 31, 2010 - $4,386), accounts payable of $2,347 (December 31, 2010 - $1,456), and dividends payable of $424 (December 31, 2010 - $1,393).

The largest uses of cash during the three months ended December 31, 2011 was for distributions to preferred security holders and purchase of preferred securities for delivery pursuant to Mosaic Capital's obligations pursuant to the DRIP of $1,266. The largest uses of cash during the year ended December 31, 2011 was the repayment of mortgages of $3,630, distributions to non-controlling interests of $873, payments and interest payments to holders of preferred units of the Fund and holders of preferred securities and purchase of preferred securities for delivery pursuant to Mosaic Capital's obligations pursuant to the DRIP of $4,563. There were cash inflows of $6,815 from the acquisition of First West and $9,963 from the sale of income producing properties in Saskatoon. A subsidiary of Mosaic Capital has committed to capital expenditures to upgrade certain equipment to improve its operational performance. Management estimates the cost of these capital expenditures to be approximately $1,126 to be funded from cash flow of that business.

Liquidity risk is the risk that Mosaic Capital will not be able to meet its financial obligations as they are due. Mosaic Capital's approach to managing liquidity is to manage its affairs and operations in such a manner so as to ensure it will have sufficient liquidity to meet its liabilities when due. Mosaic Capital's ongoing liquidity is impacted by various external events and conditions including commodity price fluctuations and global economic conditions. Mosaic Capital's financial liabilities consist of accounts payable and accrued liabilities, dividends payable, mortgages payable and notes payable. Mosaic Capital is subject to a principal financial covenant in its mortgage payable to maintain a cash flow coverage ratio for each individual property of not less than 1.20x at all times.

Management believes, assuming Mosaic Capital generates, in aggregate, positive cash flow from operations in the next twelve months, that its capital resources as at December 31, 2011 are sufficient to meet its financial obligations and distributions on preferred securities and series "A" shares over the next 12 months.

Management is continually evaluating potential acquisitions and will consider new acquisitions over the next twelve months if they meet the Mosaic Capital's investment criteria. Such acquisitions, however, will be considered only if sufficient financing, both debt and equity, can be arranged and without impairing Mosaic Capital's ability to meet its ongoing commitments.

FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument to another entity. Upon initial recognition all financial instruments, including derivatives, are recognized on the balance sheet at fair value. Subsequent measurement is then based on the financial instruments being classified into one of four categories: held for trading, loans and receivables, available for sale and financial liabilities. The Corporation has designated its financial instruments into the following categories applying the indicated measurement methods:

Financial Instrument	Category	Measurement Method
Cash and cash equivalents	Held for trading	Fair value
Accounts receivable	Loans and receivables	Fair value
Equity instruments (investments)	Available for sale	Fair value
Accounts payable, dividends payable, notes payable, mortgages payable and accrued liabilities	Financial liabilities	Fair value

The Corporation will assess at each reporting period whether there is a financial asset, other than those classified as held for trading, that is impaired. An impairment loss, other than temporary, is included in net earnings. Mosaic Capital does not hold or use any derivative instruments for trading or speculative purposes.

As at December 31, 2011, Mosaic Capital's financial assets and liabilities consisted primarily of cash and cash equivalents, accounts receivable, prepaid expenses, accounts payable and accrued liabilities, dividends payable, notes payable and mortgages payable. These financial instruments arose from the normal course of business with respect to the day-to-day operations, capital expenditures and acquisitions. The carrying values of the financial instruments are considered to approximate their fair values due to their short term nature.

In addition to liquidity risk discussed above under the heading "Liquidity and Capital Resources", Mosaic Capital has credit and interest rate risks associated with its financial assets and liabilities.

Credit risk

Credit risk is the risk of financial loss to Mosaic Capital if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Mosaic Capital manages the credit exposure related to cash and cash equivalents by selecting Canadian chartered banks with high credit ratings and monitors all short term deposits to ensure an adequate rate of return. Given these credit ratings, management does not expect any counterparty to fail to meet its obligations.

Mosaic Capital is exposed to credit risk as an owner of businesses that extend credit to customers and tenants. Mosaic Capital's accounts receivable are due from a wide range of customers and are subject to normal credit risk. The credit quality of the trade receivables amount is considered adequate. Mosaic Capital provides allowances for any customer accounts where collectability is doubtful. Mosaic Capital offers a diverse variety of products and services to a wide range of customers across its subsidiaries. As at December 31, 2011 Mosaic Capital did not have any significant exposure to any one customer. The majority of accounts receivable relate to trade receivables. Mosaic Capital's management believes at this time that all receivables, net of allowances for doubtful accounts, will be collected.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Mosaic Capital's notes payable (relating to acquisition financing) bear fixed interest rates, and hence are not exposed to any interest rate risk. Mosaic Capital is exposed to interest rate price risk on its mortgages payable as these borrowings are at floating rates. Mosaic Capital manages this risk by virtue of the fact that the interest rate on these mortgages may be fixed at any time. As at December 31, 2011 the sensitivity and net income impact for each 1% change in interest rates is not considered significant.

STOCK OPTIONS

The board of directors of Mosaic Capital adopted a share based compensation plan which was approved by the holders of preferred units of the Fund and holders of common shares of First West at the meetings of First West and the Fund to approve the Arrangement. The Mosaic Capital share-based compensation plan is intended to afford persons who provide services to Mosaic Capital with an opportunity to obtain a proprietary interest in Mosaic Capital and to assist in attracting as well as retaining and encouraging the continued involvement of such persons with Mosaic Capital. The Mosaic Capital share-based compensation plan permits the granting of equity incentive awards, including Mosaic Capital options, stock appreciation rights, restricted stock, restricted stock units, performance awards and other share-based awards to directors, officers, employees and consultants of Mosaic Capital and its subsidiaries. The number of Mosaic Capital common shares available for issuance under the shared-based compensation plan may not exceed 10% of the issued and outstanding Mosaic Capital common shares on a "rolling" basis. The term "rolling" means that as the outstanding capital of Mosaic Capital increases from time to time by the issuance of Mosaic Capital common shares, whether due to the exercise of Mosaic Capital units, options or otherwise, the number of Mosaic Capital common shares eligible to be issued under the Mosaic Capital share-based compensation plan will automatically increase to 10% of the then issued and outstanding Mosaic Capital common shares.

Immediately prior to the completion to the Arrangement, First West had outstanding options to purchase 1,525,000 common shares of First West (the "First West Options"). Pursuant to the terms of the Arrangement, the First West Options were exchanged for Mosaic Capital unit options on a basis so as to put the holders in materially the same economic position as they were prior to the Arrangement. The Mosaic Capital unit options entitle the holders to receive the same mix of preferred securities and common shares as holders of common shares of First West received under the Arrangement, namely 0.154 common shares per option and 0.077 series "A" shares per option (each series "A" shares is redeemable for one preferred security). Upon completion of the Arrangement 1,525,000 Mosaic Capital common share options and series "A" share options were issued which entitle the holders thereof to acquire, in aggregate, 234,850 common shares of Mosaic Capital and 117,425 series "A" shares of Mosaic Capital.

As at April 30, 2012, there were outstanding Mosaic Capital common share options and series "A" share options entitling the holders to purchase 221,760 common shares at a weighted average exercise price of $3.52 per share and 90,090 series "A" shares at a weighted average exercise price of $7.16 per share. These options are issued under, and subject to, the Mosaic Capital share-based compensation plan.

OFF-BALANCE SHEET ARRANGEMENTS

Mosaic Capital has no off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

Consulting fees in the amount of $36 were paid for the three months to December 31, 2011 and in the amount of $159 were paid for the year ended December 31, 2011 to a company controlled by a director of Mosaic Capital (formerly a trustee of the Fund) in the course of business related to Mosaic Capital. Consulting fees in the amount of $Nil were paid for the three months to December 31, 2011 and $100 were paid for the year ended December 31, 2011 to a company controlled by one the officers of Mosaic Capital (formerly an officer of the administrator of the Fund) in the course of business related to the Arrangement.

Directors, officers and key employees (collectively "employee(s)") of Mosaic Capital are eligible to participate in the employee share purchase plan (the "ESPP"). Under the ESPP, employees who have been invited to participate in the ESPP may contribute up to such amount as is determined by Mosaic Capital. The amount (if any) then contributed by the employee is matched by Mosaic Capital through a matching loan (the "Loan") secured by a promissory note bearing interest at 1% and repayable by the employee over a term not to exceed five years. The employee contribution together with the funds loaned by Mosaic Capital are then provided to the trustee of the ESPP and the trustee uses such funds to purchase common shares of Mosaic Capital through the facilities of the TSX Venture Exchange. The trustee, or its agent, is responsible for determining the pricing and timing of purchases of the common shares. The common shares purchased on behalf of an employee are held as security for their Loan. Should the employee's position terminate with Mosaic Capital then their Loan is repayable, subject to certain exceptions, within 30 days of the termination date. Should the common shares be sold by the employee the proceeds of such sale shall first be applied in repayment of the Loan and then any remaining balance remitted to the employee. If any dividends or other distributions are paid on the common shares held under the Plan for the benefit of the employee, the proceeds are used to reduce the Loan made to such employee.

The outstanding amount of loans under the ESPP was $445 as at December 31, 2011 (2010 - $Nil).

Related party transactions are in the normal course of operations and are recorded at the exchange amount, which management believes to be at market rates, and under normal terms and conditions.

SECURITIES DATA

Mosaic Capital is authorized to issue the following securities and shares. For full particulars, reference should be made to the Articles of Mosaic Capital and the Preferred Securities Indenture (as hereafter defined) which can be found under Mosaic Capital's profile at www.sedar.com.

(a) Common shares

Authorized: Unlimited

Issued and outstanding as at April 30, 2012: 8,137,848

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 Capital. The common shares are entitled to dividends, if and when declared by the board of directors of Mosaic Capital and to the distribution of the residual assets of Mosaic Capital in the event of the liquidation, dissolution or winding-up of Mosaic Capital.

(b) Preferred shares, issuable in series

Authorized: Unlimited

Issued and outstanding as at April 30, 2012: 20,790 Series A Shares

The preferred shares are issuable in series. The preferred shares of each series rank on a parity with the preferred 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 preferred 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 Capital. The board of directors of Mosaic Capital is empowered to fix the number of shares and the rights to be attached to the preferred shares of each series, including the amount of dividends and any conversion, voting and redemption rights. Subject to the Articles of Mosaic Capital and to applicable law, the preferred shares as a class are not entitled to receive notice of or attend or vote at meetings of Mosaic Capital shareholders.

The board of directors of Mosaic has created series "A" shares. The series "A" shares issued under the Plan of Arrangement are non-voting and each 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.

(c) Preferred securities

Authorized: Unlimited

Issued and outstanding as at April 30, 2012: 5,066,822

The preferred securities were created and issued under the subordinated securities indenture ("Preferred Securities Indenture") dated April 29, 2011 between Mosaic Capital and Olympia Trust Company as trustee. The preferred securities are non-voting, unsecured, subordinated, perpetual securities having no fixed maturity date or redemption and are issuable in denominations of $10 and integral multiples thereof and bear simple interest at the rate of $1.00 per preferred security per annum calculated annually not in advance.

The preferred securities pay interest monthly at a rate of $0.0833 per preferred security. Mosaic Capital may indefinitely defer payment of all or any part of accrued interest otherwise due by giving notice to the preferred security trustee under the preferred security indenture.

RISK FACTORS

An investment in, and the businesses and operations of, Mosaic Capital are subject to a number of risks and uncertainties in the normal course of business. Such risks and uncertainties could have a negative effect on our financial condition or results of operations. We have identified significant risks that we are aware of in our AIF filed under Mosaic Capital's profile at www.sedar.com or under the investors section of Mosaic Capital's website at www.mosaiccapitalcorp.com.

TAXATION AND ACCOUNTING TREATMENT OF MOSAIC PREFERRED SECURITIES

Preferred securities are considered debt for Canadian income tax purposes, but are however treated as equity for the purposes of IFRS. On Mosaic Capital's December 31, 2011 financial statements payment of interest to holders of preferred securities is classified as a dividend and payments of distributions to holders of preferred units of the Fund are classified as interest. In the MD&A reference is made to "distributions" on preferred securities in an effort to distinguish between the tax and accounting treatments of payment on the preferred securities. A holder of preferred securities that is a corporation, partnership, unit trust or trust of which a corporation or partnership is a beneficiary will be required to include in its income for a taxation year any interest or amount that is considered for the purposes of the *Income Tax Act* (Canada) and the regulations thereunder (the "Tax Act") to be interest on the preferred security that accrued to it to the end of the year or became receivable or was received by it before the end of the year (including any interest that is reinvested in preferred securities pursuant to the Mosaic DRIP), except to the extent that it was included in computing its income for a preceding year.

Any other holder, including an individual, will be required to include in income for a taxation year any amount received (including any interest that is reinvested in preferred securities pursuant to the DRIP) or receivable by the holder as interest in the year (depending upon the method regularly followed by the holder when computing income) on the preferred security, to the extent that such amount was not included in the holder's income for a preceding year. In addition, if at any time a preferred security should become an "investment contract" (as defined in the Tax Act) in relation to a holder, such holder will be required to include in computing income for a taxation year any interest that accrues to the holder on the preferred security up to any "anniversary day" (as defined in the Tax Act) in that year to the extent such interest was not otherwise included in the holder's income for that year or a preceding year. Under the terms of the preferred securities, Mosaic Capital may indefinitely defer payment of all or any part of any accrued interest otherwise due on the preferred securities. In circumstances where payment of the accrued interest is deferred by Mosaic Capital, the preferred security may be viewed as an "investment contract" for the purposes of the Tax Act relation to certain Holders (including individuals) and such holders will be required to include such deferred interest in their income for the taxation year that includes the "anniversary day" (as defined in the Tax Act) of the preferred security.

A holder that is a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable for a refundable tax of 66 2/3 % on its investment income, which will include interest on the preferred security that is included when computing the holder's income.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Judgments, estimates and underlying assumptions are reviewed on a continuous basis and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

In preparing our financial statements, we make judgments regarding the application of IFRS for our accounting policies. Significant judgments relate to determination of whether a transaction constitutes a business combination, determination of significant influence or control, deferred income taxes, application of tax rules and regulations, identification of cash-generating units ("CGUs") and the impairment of assets. The financial statement areas that require significant estimates and assumptions are set out in the following paragraphs:

Amortization and valuation of property, plant and equipment and goodwill and other intangible assets

The amounts recorded for amortization of components of property, plant and equipment and intangible assets and the valuation of CGUs are based on estimates. These estimates include future cash flows, remaining lives and periods of future benefits and the residual values of the related assets and other relevant assumptions.

Valuation of accounts receivable

The valuation of accounts receivable is based on management's estimate of the provision for doubtful accounts.

Income taxes

The amounts recorded for deferred income taxes are based on estimates as to the timing of the reversal of temporary differences and tax rates currently substantively enacted. They are also based on estimates of the probability of Mosaic Capital utilizing certain tax pools and assets which in turn are dependent on estimates of future taxable income. The availability of tax pools is subject to audit and interpretation by taxation authorities.

Valuation of stock options

When not directly observable in active markets, Mosaic Capital uses third-party models and valuation methodologies that utilize observable market data to estimate the valuation of stock options. In addition to market information, Mosaic Capital incorporates transaction specific details that market participants would utilize in a fair value measurement.

ACCOUNTING POLICIES

The accounting policies of Mosaic Capital used in the determination of the results for years ended December 31, 2011 and 2010 that are disclosed and analyzed in this report are described in detail in Note 3 of Mosaic Capital's consolidated financial statements. These policies have been applied in preparing the financial statements for the year ended December 31, 2011, the comparative information presented in these financial statements for the year ended December 31, 2010 and in the preparation of an opening IFRS balance sheet at January 1, 2010 (the Fund's date of transition).

The preparation of the consolidated financial statements resulted in selected changes to Mosaic Capital's accounting policies as compared to those disclosed in the Fund's annual audited consolidated financial statements for the year ended December 31, 2010 issued under Canadian GAAP. A summary of significant changes to the Mosaic Capital's accounting policies is disclosed in Note 31 to Mosaic Capital's consolidated financial statements for the year ended December 31, 2011 along with reconciliations presenting the impact of the transition to IFRS for the comparative periods as at January 1, 2010 and as at and for the twelve months ended December 31, 2010.

A summary of Mosaic Capital's significant accounting policies under IFRS is presented in Note 3 to Mosaic Capital's consolidated financial statements for the year ended December 31, 2011. These policies have been retrospectively and consistently applied except for the change of classification of the preferred units of the Fund from equity to debt under IFRS as well as distributions on the preferred units of the Fund from distributions to interest under IFRS in each of the interim periods ended March 31, June 30 and September 30, 2011, and where specific exemptions permitted an alternative treatment upon transition to IFRS in accordance with IFRS 1 as disclosed in Note 31 of the consolidated financial statements for the year ended December 31, 2011.

Mosaic Capital's consolidated financial statements for the year ended December 31, 2010 should be read in conjunction with the Fund's Canadian GAAP annual audited consolidated financial statements for the year ended December 31, 2010.

TRANSITION TO IFRS

Effective January 1, 2011 and as further described in Mosaic Capital's consolidated financial statements and related notes for the year ended December 31, 2011, Mosaic Capital began reporting its financial results in accordance with IFRS.

Mosaic Capital has followed the recommendations in "IFRS-1 First-time adoption of IFRS", in preparing its transitional statements. IFRS-1 applies only at the time of changeover, and includes a requirement for retrospective application of IFRS, as if they were always in effect. IFRS-1 provided specific one-time choices and mandates specific one-time exceptions with respect to first-time adoption of IFRS.

Choices available at first-time adoption

(a) Property, plant and equipment - IFRS 1 provides a choice between measuring property, plant and equipment at its fair value at the date of transition and using those amounts as deemed cost or using the historical valuation under the prior GAAP. Mosaic Capital has decided to continue to apply the cost model for property, plant and equipment and has not restated property, plant and equipment to fair value under IFRS. The historical bases under Canadian GAAP have been designated as the deemed cost under IFRS at Transition Date.

(b) Business combinations - IFRS 3, Business Combinations (CICA Section 1582) may be applied retrospectively or prospectively. The retrospective basis would require restatement of all business combinations that occurred prior to September 16, 2008. Mosaic Capital has elected not to retrospectively apply IFRS 3 to business combinations that occurred prior to September 16, 2008and such business combinations will not be restated. Any goodwill arising on such business combinations before September 16, 2008will not be adjusted from the carrying value previously determined under Canadian GAAP as a result of applying these exemptions except as required under IFRS 1.

Exceptions that are mandated by IFRS-1

(a) Hedge accounting – Hedge accounting can only be applied prospectively from January 1, 2010 to transactions that satisfy the hedge accounting criteria in IAS 39 at that date. Hedging relationships cannot be designated retrospectively and the supporting documentation cannot be created retrospectively. There was no material transaction impact under this exception.

(b) Estimates – IFRS-1 prohibits use of hindsight to create or revise previous estimates. The estimates Mosaic Capital previously made under Canadian GAAP have not been revised for application of IFRS.

FUTURE ACCOUNTING STANDARDS

The standard-setting bodies that determine IFRS have significant ongoing projects that could impact the IFRS accounting policies that we have selected. The impact of any new or amended IFRS standards or interpretations will be evaluated as they are drafted and published. New and amended standards and interpretations that have been identified include:

IFRS 7 – Financial Instruments: Disclosures

The Accounting Standards Board ("AcSB") approved the incorporation of the IASB's amendments to IFRS 7 Financial Instruments: Disclosures and the related amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards into Part I of the Handbook. These amendments were made to Part I in January 2011 and are effective for annual periods beginning on or after July 1, 2011. Earlier application is permitted. The amendments relate to required disclosures for transfers of financial assets to help users of the financial statements evaluate the risk exposures relating to such transfers and the effect of those risks on an entity's financial position. The Company has not fully assessed the impact of adopting the amendments of IFRS 7; however, it anticipates that there will be no impact on the Company.

IFRS 9 – Financial Instruments

IFRS 9 – Financial Instruments was issued in October 2010. This Standard is the first step in the process to replace IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 introduces new requirements for classifying and measuring financial assets and financial liabilities, and is likely to affect the Corporation's accounting for its financial assets. The Standard is not applicable until annual periods beginning on or after January 1, 2015, but is available for early adoption. The Company has not fully assessed the impact of adopting IFRS 9; however, it anticipates that its impact will be limited.

IFRS 10, Consolidated Financial Statements IFRS 10, Consolidated Financial Statements, issued by the IASB in May 2011, provides a single consolidation model that identifies control as the basis for consolidation for all types of entities. IFRS 10 replaces IAS 27 Consolidated and Separate Financial Statements and Standing Interpretations Committee ("SIC") 12 Consolidation - Special Purpose Entities. IFRS 10 is to be applied retrospectively and is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. The Company is currently evaluating the impact of the above standard on its financial statements.

IFRS 12, Disclosure of Interests in Other Entities

IFRS 12, Disclosure of Interests in Other Entities, issued by the IASB in May 2011, is a new standard that addresses the disclosure requirements for all interests in other entities, including subsidiaries, joint arrangements, associates, and unconsolidated structured entities. IFRS 12 is effective for annual periods beginning on or after

January 1, 2013, with earlier application permitted. The Company is currently evaluating the impact of the above standard on its financial statements.

IFRS 13, Fair Value Measurement

IFRS 13, Fair Value Measurement, issued by the IASB in May 2011, replaces the fair value measurement guidance currently dispersed across different IFRS standards with a single definition of fair value and a comprehensive framework for measuring fair value when such measurement is required under other IFRSs. It also establishes disclosure requirements about fair value measurements. IFRS 13 is to be applied prospectively and is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. The Company is currently evaluating the impact of the above standard on its financial statements.

Amendments to IAS 1, Presentation of Financial Statements

The amendments to IAS 1, Presentation of Financial Statements, issued by the IASB in June 2011, requires companies preparing financial statements to group together items within other comprehensive income ("OCI") on the basis of whether of Operating Results and Financial Position for the year ended December 31, 2011 they may be reclassified to the profit or loss section of the income statement. The amendments also reaffirm existing requirements that items in OCI and profit or loss should be presented as either a single statement or two consecutive statements. The amendments are effective for annual periods beginning on or after July 1, 2012, with earlier application permitted. The Company is currently evaluating the impact of the above standard on its financial statements.

IAS 12 – Income Taxes – Amendments regarding Deferred Tax: Recovery of Underlying Assets

IAS 12 has been amended to introduce an exception to the existing principle for the measurement of deferred tax assets and liabilities arising on investment property measured at fair value. These amendments are effective for annual periods beginning on or after January 1, 2012. The Company has not fully assessed the impact of adopting the amendments of IAS 12; however, it anticipates that there will be no impact on the Company.

IAS 27 – Consolidated and Separate Financial Statements

IAS 27 was issued in May 2011 and is to enhance the relevance, reliability, and comparability of information contained in consolidated financial statements that a parent prepares for the group of entities it controls and separate financial statements (non-consolidated) that a parent, investor, or venture elects to provide, or is required by local regulation to provide. IAS 27 applies to all entities that are investors with joint control of, or significant influence over, an investee. IAS 27 is effective for annual periods beginning on or after January 1, 2013. Mosaic Capital is currently assessing the impact of the new standard on its consolidated financial statements.

IAS 28 – Investments in Associates and Joint Ventures

IAS 28 was issued in May 2011 and is to prescribe the accounting for investments in associates and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 applies to all entities that are investors with joint control of, or significant influence over, an investee. IAS 28 is effective for annual periods beginning on or after January 1, 2013. Mosaic Capital is currently assessing the impact of the new standard on its consolidated financial statements; however, it anticipates that there will be no impact on the Company.

SUBSEQUENT EVENTS

Effective January 1, 2012, Mosaic Capital completed the acquisition of a 75% interest in the business now carried on by Ambassador Mechanical Corp Mosaic Capital's cost of acquisition was $14,625,000 and was funded through a combination of cash and vendor take back financing. The acquisition is expected to be immediately accretive to Mosaic Capital's free cash flow and distributable cash per common share.

On January 15, 2012 Mosaic Capital paid a distribution of $422 to holders of preferred securities and $2 to holders of series "A" shares that were outstanding as of December 31, 2011. A distribution was declared as of January 18, 2012 in the amount of $422 to holders of preferred securities and a dividend of $2 to holders of series "A" shares and was paid or satisfied pursuant to the DRIP on February 15, 2012. A distribution was declared as of February 17, 2012 in the amount of $422 to holders of preferred securities and a dividend of $2 to holders of series "A" shares and was paid or satisfied pursuant to the DRIP on March 15, 2012. A distribution was declared as of March 31, 2012 in the amount of $422 to holders of preferred securities and a dividend of $2 to holders of series "A" shares and was paid or satisfied pursuant to the DRIP on April 15, 2012. A distribution was declared as of April 18, 2012 in the amount of $422 to holders of preferred securities and a dividend of $2 to holders of series "A" shares and will be paid or satisfied pursuant to the DRIP on May 15, 2012.

On January 19, 2012 Mosaic Capital announced that its Board of Directors adopted a policy to pay a regular quarterly dividend on Mosaic Capital's common shares in such amount as Mosaic Capital's Board of Directors may from time to time determine. Furthermore, Mosaic Capital announced that its Board of Directors had declared an initial quarterly cash dividend for its common shares of $0.02 per share which was paid on February 15, 2012 to holders of record on January 31, 2012. On April 18, 2012 a quarterly cash dividend for the holders of common shares was declared in the amount of $0.03 per share to the paid on May 15, 2012 to holders of record as of April 30, 2012.

On February 29, 2012 Mosaic Capital sold 3.85 acres of raw industrial land held by its real estate segment in Lethbridge, Alberta for aggregate consideration of $527.

ADDITIONAL INFORMATION

Additional information relating to Mosaic Capital, including the AIF and other public filings, is available on SEDAR at www.sedar.com or on Mosaic Capital's website at www.mosaiccapitalcorp.com.