MOSAIC CAPITAL CORPORATION

MATERIAL CHANGE REPORT

FORM 51-102F3

1. **Name and Address of Issuer:**

Mosaic Capital Corporation (the "Corporation" or "Mosaic")
400, 2424 – 4th Street SW
Calgary, Alberta
T2S 2T4

2. **Date of Material Change:**

October 19, 2012

3. **News Release:**

On October 19, 2012 the Corporation issued a press release relating to the material change described below. The press release was distributed by Filing Services Canada Inc.

4. **Summary of Material Change:**

On October 19, 2012 Mosaic announced that it had re-filed its management's discussion and analysis for the year ended December 31, 2011 ("**2011 MD&A**") as well as the for the three months ended March 31, 2012 and for the six months ended June 30, 2012 (collectively, the "**MD&As**"). The MD&As have been amended and re-filed in order to correct some inconsistencies and errors in the MD&As, including to correct certain of the shareholders'/unitholders' per share amounts (both basic and diluted) respecting net income from continuing operations before tax, and in respect of income (loss) and comprehensive income (loss), which were overstated in respect of certain periods. These amounts were principally set forth in the 2011 MD&A in the table of selected financial information for Mosaic under the heading "Financial Review and Discussion of Results" and in the table of quarterly financial information for Mosaic under the heading "Summary of Quarterly Results".

As well, Mosaic has included an additional note within each of its first and second quarter interim consolidated financial statements for the periods as at and ended March 31, 2012 and June 30, 2012 (the "**2012 Interim Financial Reports**") which identifies the changes made to the affected comparative 2011 financial statement amounts resulting from Mosaic's Reclassification (such "Reclassification" being further described below). Consequently, Mosaic has re-filed each of its 2012 Interim Financial Reports.

5. **Full Description of Material Change:**

On October 19, 2012 Mosaic announced that it had re-filed its MD&As. As had been previously disclosed in the MD&As, in connection with the audit of the annual consolidated financial statements of Mosaic for the year ended December 31, 2011 (the "**Annual Financial Statements**") there was a change in classification of the preferred trust units of Mosaic Diversified Income Fund (the "**Fund**" - predecessor to Mosaic) from equity to debt under International Financial Reporting Standards (IFRS), as well as a change in classification of the distributions on the preferred trust units of the Fund from distributions charged directly to equity to interest expense (the "**Reclassification**"). The Reclassification only relates to the four month period of fiscal 2011 when the business of Mosaic was being carried on through the Fund until it reorganized into a corporation effective May 1, 2011. For the remainder of fiscal 2011, and as is the current accounting practice of Mosaic, the preferred securities of Mosaic are accounted for as equity with payments thereon treated as dividends.

The financial impact of the Reclassification has been reflected in the Annual Financial Statements and the subsequently filed interim financial statements. However certain of the consequential changes resulting from the Reclassification were not carried through to the MD&As. In particular, certain of the shareholders'/unitholders' per share amounts (both basic and diluted) respecting net income from continuing operations before tax, and in respect of income (loss) and comprehensive income (loss), were overstated in respect of certain periods. These amounts were principally set forth in the 2011 MD&A in the table of selected financial information for Mosaic under the heading "Financial Review and Discussion of Results" and in the table of quarterly financial information for Mosaic under the heading "Summary of Quarterly Results". The MD&As have been amended and re-filed in order to correct these and other inconsistencies and errors in the MD&As.

To add additional clarity concerning the financial statement impact of the Reclassification, Mosaic has included an additional note within each of its 2012 Interim Financial Reports which identifies the changes made to the affected comparative 2011 financial statement amounts resulting from the Reclassification. Consequently, Mosaic has re-filed each of its 2012 Interim Financial Reports.

The Reclassification has no impact on Mosaic's balance sheets filed for the period as at and ended December 31, 2011 and subsequent periods, nor has it had a material impact on Mosaic's non-IFRS financial metrics.

6. **Reliance on subsection 7.1(2) or (3) of National Instrument 51-102:**

Not applicable.

7. **Omitted Information:**

No significant facts otherwise required to be disclosed in this report have been omitted.

8. **Executive Officer:**

The following executive officer of the Corporation is knowledgeable about the material change and may be contacted respecting the change:

John Mackay
Executive Chairman and Chief Executive Officer
Phone: (403) 218-6500

9. **Date of Report:**

October 22, 2012