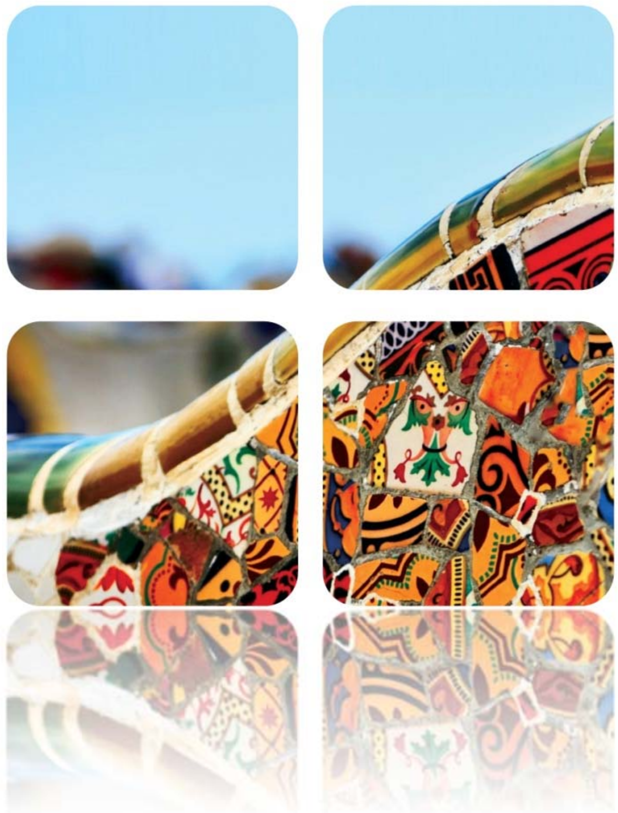
MOSAIC CAPITAL CORPORATION



Condensed Interim Consolidated Financial Statements (unaudited)
For the Three and Nine months ended September 30, 2017 and 2016

"Growth through sustainable cash flow"

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Mosaic Capital Corporation

Condensed Interim Consolidated Statements of Financial Position

(Unaudited) (in thousands of Canadian dollars)

As at	Sep 30, 2017	Dec 31, 2016
ASSETS		(audited)
Current assets		
Cash and cash equivalents	**$ 15,709**	$ 24,938
Trade, accrued and other receivables	**93,065**	67,328
Inventories	**10,771**	7,615
Deposits and prepaid expenses	**1,043**	1,818
Income taxes recoverable	**-**	494
	120,588	102,193
Non-current assets		
Property held for development	**425**	985
Income-producing properties	**11,537**	11,683
Investment in joint venture	**2,895**	3,495
Property, plant and equipment *(note 6)*	**33,313**	26,835
Intangible assets *(note 7)*	**68,551**	64,237
Goodwill *(note 8)*	**75,944**	66,502
	192,665	173,737
Total assets	**$ 313,253**	$ 275,930
LIABILITIES AND EQUITY		
Liabilities		
Current liabilities		
Operating loans *(note 9)*	**$ 6,761**	$ 2,211
Trade, accrued and other payables	**42,942**	36,747
Distributions payable	**1,512**	1,085
Income taxes payable	**651**	-
Deferred contract revenue *(note 10)*	**1,920**	4,457
Credit facility *(note 11)*	**-**	24,500
Current portion of contingent consideration	**1,586**	971
Current portion of notes payable *(note 12)*	**4,706**	8,745
	60,078	78,716
Non-current liabilities		
Credit facility *(note 11)*	**17,501**	-
Contingent consideration	**1,687**	2,164
Notes payable *(note 12)*	**15,849**	9,483
5% debentures *(note 13)*	**46,893**	-
Convertible debentures *(note 14)*	**11,293**	13,162
Common share purchase warrants *(note 15)*	**11,457**	-
Deferred income tax liability	**2,754**	3,902
	107,434	28,711
Total liabilities	**167,512**	107,427
Equity		
Common shares *(notes 16, 17)*	**34,901**	17,853
6% preferred securities *(notes 16, 17)*	**82,395**	-
10% preferred securities *(notes 16, 17)*	**-**	102,161
Series "A" shares	**-**	570
Private yield securities *(notes 16, 17)*	**-**	23,922
Warrants - private yield securities *(notes 16, 17)*	**-**	1,887
Contributed surplus	**1,490**	1,652
Convertible debentures *(note 14)*	**814**	1,164
Retained earnings		
Cumulative earnings	**65,372**	53,299
Cumulative dividends/distributions	**(89,514)**	(77,056)
Total equity	**95,458**	125,452
Non-controlling interest	**50,283**	43,051
Total liabilities and equity	**$ 313,253**	$ 275,930

Commitments and contingent liabilities *(note 24).*
Subsequent events *(note 27)*
See accompanying notes to the condensed interim consolidated financial statements.

Mosaic Capital Corporation

Condensed Interim Consolidated Statements of Income and Comprehensive Income

(Unaudited) (in thousands of Canadian dollars, except for per share amounts)

	Three months ended Sep 30,		Nine months ended Sep 30,	
	2017	2016	**2017**	2016
REVENUE *(note 18)*	**$ 95,656**	$ 57,811	**$ 223,491**	$ 146,325
OPERATING EXPENSES	**83,651**	51,115	**201,324**	129,538
	12,005	6,696	**22,167**	16,787
EXPENSES				
Amortization of income-producing properties	**49**	49	**146**	146
Amortization of property, plant and equipment	**1,880**	1,157	**4,933**	3,080
Amortization of intangible assets	**1,688**	690	**4,831**	2,064
(Gain) loss on sale of property, plant and equipment	**(25)**	50	**64**	51
Equity-based compensation	**(179)**	334	**38**	659
	3,413	2,280	**10,012**	6,000
Operating income	**8,592**	4,416	**12,155**	10,787
Net finance costs *(note 20)*	**2,207**	185	**4,601**	250
Foreign exchange loss (gain)	**249**	(25)	**294**	(25)
Share of joint venture (income) loss	**(112)**	48	**(340)**	(139)
Costs of proposed equity financing	**-**	-	**91**	-
Other (income) loss	**(19)**	279	**(19)**	279
Income before change in fair value of derivatives and income taxes	**6,267**	3,929	**7,528**	10,422
Change in fair value of common share purchase warrants *(note 15)*	**3,158**	-	**9,098**	-
Income before income taxes	**9,425**	3,929	**16,626**	10,422
Provision for income tax:				
Current	**1,201**	750	**1,342**	995
Deferred (reduction)	**210**	-	**(1,342)**	(183)
	1,411	750	**-**	812
Net income and comprehensive income	**$ 8,014**	$ 3,179	**$ 16,626**	$ 9,610
Net income and comprehensive income attributable to:				
Equity holders of Mosaic Capital Corporation	**$ 4,003**	$ (1,473)	**$ 8,092**	$ (3,807)
Preferred dividends/distributions	**1,496**	3,255	**3,981**	9,794
Non-controlling interests	**2,515**	1,397	**4,553**	3,623
	$ 8,014	$ 3,179	**$ 16,626**	$ 9,610
Earnings (loss) per common share *(note 21)*:				
Basic	**$ 0.39**	$ (0.18)	**$ 0.84**	$ (0.46)
Diluted	**$ 0.35**	$ (0.18)	**$ 0.77**	$ (0.46)

See accompanying notes to the condensed interim consolidated financial statements.

Mosaic Capital Corporation

Condensed Interim Consolidated Statements of Changes in Equity

(Unaudited) (in thousands)

(note 17)	Common Shares	Preferred Securities	Series "A" Shares	Private Yield Securities	Warrants - Private Yield Securities	Contributed Surplus	Convertible Debentures	**Total Capital**	Cumulative Earnings	Cumulative Dividends/ Distributions	**Total Equity**
Balance at Jan 1, 2016	$ 17,609	$ 102,120	$ 570	$ 23,922	$ 1,887	$ 2,124	$ -	**$ 148,232**	$ 47,801	$ (60,551)	**$ 135,482**
Preferred securities and common shares cancelled	(251)	(148)	-	-	-	-	-	**(399)**	-	-	**(399)**
Restricted security unit purchases	(385)	-	-	-	-	-	-	**(385)**	-	-	**(385)**
Restricted security unit issuances	880	189	-	-	-	-	-	**1,069**	-	-	**1,069**
Distributions declared on preferred securities	-	-	-	-	-	-	-	**-**	-	(7,888)	**(7,888)**
Dividends declared on series "A" shares	-	-	-	-	-	-	-	**-**	-	(66)	**(66)**
Dividends declared on common shares	-	-	-	-	-	-	-	**-**	-	(2,590)	**(2,590)**
Distributions declared on private yield securities	-	-	-	-	-	-	-	**-**	-	(1,840)	**(1,840)**
Equity-based compensation	-	-	-	-	-	(875)	-	**(875)**	-	-	**(875)**
Net income and comprehensive income for equity holders of Mosaic Capital Corporation	-	-	-	-	-	-	-	**-**	5,987	-	**5,987**
Balance at Sep 30, 2016	$ 17,853	$ 102,161	$ 570	$ 23,922	$ 1,887	$ 1,249	$ -	**$ 147,642**	$ 53,788	$ (72,935)	**$ 128,495**
Balance at Jan 1, 2017	**$ 17,853**	**$ 102,161**	**$ 570**	**$ 23,922**	**$ 1,887**	**$ 1,652**	**$ 1,164**	**$ 149,209**	**$ 53,299**	**$ (77,056)**	**$ 125,452**
Redemptions and retractions	-	(102,161)	(570)	(23,922)	(1,887)	-	-	**(128,540)**	-	(3,626)	**(132,166)**
Issue of 6% preferred securities	-	82,672	-	-	-	-	-	**82,672**	-	-	**82,672**
Issue of common shares	15,193	-	-	-	-	-	-	**15,193**	-	-	**15,193**
Convertible debenture conversions	2,270	-	-	-	-	-	(156)	**2,114**	-	-	**2,114**
Deferred tax adjustment	-	-	-	-	-	-	(194)	**(194)**	-	-	**(194)**
Restricted security unit purchases	(300)	-	-	-	-	-	-	**(300)**	-	-	**(300)**
Restricted security unit issuances	73	-	-	-	-	-	-	**73**	-	-	**73**
Exercise of common share options	568	-	-	-	-	(124)	-	**444**	-	-	**444**
Security transaction costs	(756)	(277)	-	-	-	-	-	**(1,033)**	-	-	**(1,033)**
Distributions declared on 10% preferred securities	-	-	-	-	-	-	-	**-**	-	(1,148)	**(1,148)**
Distributions declared on 6% preferred securities	-	-	-	-	-	-	-	**-**	-	(4,097)	**(4,097)**
Dividends declared on common shares	-	-	-	-	-	-	-	**-**	-	(3,318)	**(3,318)**
Distributions declared on private yield securities	-	-	-	-	-	-	-	**-**	-	(269)	**(269)**
Equity-based compensation	-	-	-	-	-	(38)	-	**(38)**	-	-	**(38)**
Net income and comprehensive income for equity holders of Mosaic Capital Corporation	-	-	-	-	-	-	-	**-**	12,073	-	**12,073**
Balance at Sep 30, 2017	**$ 34,901**	**$ 82,395**	**$ -**	**$ -**	**$ -**	**$ 1,490**	**$ 814**	**$ 119,600**	**$ 65,372**	**$ (89,514)**	**$ 95,458**

See accompanying notes to the condensed interim consolidated financial statements.

Mosaic Capital Corporation

Condensed Interim Consolidated Statements of Cash Flows

(Unaudited) (in thousands of Canadian dollars, except for per share amounts)

	Three months ended Sep 30,		Nine months ended Sep 30,	
	2017	2016	**2017**	2016
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income and comprehensive income	**$ 8,014**	$ 3,179	**$ 16,626**	$ 9,610
Adjustments for:				
Amortization of income producing properties	**49**	49	**146**	146
Amortization of property, plant and equipment	**1,880**	1,157	**4,933**	3,080
Amortization of intangible assets	**1,688**	690	**4,831**	2,064
Accretion expense	**796**	-	**1,047**	-
Amortization of borrowing costs	**60**	-	**141**	-
Gain (loss) on sale of property, plant and equipment	**(25)**	50	**64**	51
Equity-based compensation	**(179)**	334	**38**	659
Foreign exchange loss (gain)	**249**	(25)	**294**	(25)
Share of joint venture (income) loss	**(112)**	48	**(340)**	(139)
Change in fair value of common share purchase warrants	**(3,158)**	-	**(9,098)**	-
Deferred income tax (recovery)	**210**	-	**(1,342)**	(183)
Cash provided prior to changes in non-cash working capital	**9,472**	5,482	**17,340**	15,263
Net change in non-cash working capital *(note 22)*	**(10,570)**	(768)	**(17,885)**	(9,529)
Net cash (used in) provided by operating activities	**(1,098)**	4,714	**(545)**	5,734
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of intangible assets	**(27)**	(16)	**(273)**	(27)
Proceeds from disposal of intangible assets	**28**	-	**28**	-
Business combination	**-**	(21,676)	**(14,000)**	(21,676)
Purchase from property, plant and equipment	**(3,374)**	(678)	**(6,932)**	(2,046)
Contingent consideration payment	**-**	(421)	**-**	(421)
Distributions received from joint venture	**307**	-	**940**	473
Proceeds on disposal of property, plant and equipment	**1,727**	115	**1,930**	328
Net cash used in investing activities	**(1,339)**	(22,676)	**(18,307)**	(23,369)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from operating loans	**3,675**	-	**4,700**	140
Repayment of operating loans	**(92)**	(140)	**(150)**	(140)
Proceeds from credit facility	**4,900**	22,750	**23,700**	22,750
Repayment of credit facility	**(4,000)**	-	**(30,500)**	-
Credit facility transaction costs	**(221)**	-	**(221)**	-
Proceeds from notes payable	**1,651**	-	**1,651**	-
Repayment of notes payable	**(1,912)**	(1,292)	**(8,459)**	(3,840)
Proceeds received from issuance of 5% debentures	**-**	-	**50,000**	-
Proceeds from subscription privileges	**-**	-	**15,193**	-
Exercise of stock options	**15**	-	**492**	-
Restricted security unit purchases	**(77)**	-	**(377)**	(385)
Dividends paid to common shareholders	**(1,114)**	(864)	**(3,318)**	(2,590)
Proceeds received from issuance of 6% preferred securities	**-**	-	**100,000**	-
Distributions paid to 6% preferred security holders	**(1,496)**	-	**(2,564)**	-
Redemption of 10% preferred securities	**-**	-	**(105,894)**	-
Distributions paid to 10% preferred security holders	**-**	(2,040)	**(1,833)**	(6,162)
Distributions paid to 10% preferred security holders for DRIP	**-**	(580)	**(189)**	(1,726)
Redemption of series "A" shares	**-**	(22)	**(893)**	-
Dividends paid to series "A" shareholders	**-**	-	**(7)**	(66)
Retraction of private yield securities	**-**	-	**(26,789)**	-
Distributions paid to private yield security holders	**-**	(613)	**(473)**	(1,840)
Distributions paid to non-controlling interests	**(1,019)**	(780)	**(3,177)**	(2,848)
Security transaction costs	**-**	-	**(1,269)**	-
Net cash provided by financing activities	**310**	16,419	**9,623**	3,293
Net decrease in cash and cash equivalents	**(2,127)**	(1,543)	**(9,229)**	(14,342)
Cash and cash equivalents, beginning of period	**17,836**	27,055	**24,938**	39,854
Cash and cash equivalents, end of period	**$ 15,709**	$ 25,512	**$ 15,709**	$ 25,512
Supplementary cash flow information:				
Interest received	**$ 16**	$ 37	**$ 77**	$ 220
Interest paid	**$ 1,304**	$ 222	**$ 3,427**	$ 470
Income taxes paid	**$ -**	$ 204	**$ 107**	$ 864

See accompanying notes to the condensed interim consolidated financial statements.

(Unaudited) (in thousands of Canadian dollars, except for per share amounts)

1. REPORTING ENTITY

Mosaic Capital Corporation ("**Mosaic**" or the "**Company**") was incorporated under the *Business Corporations Act* (Alberta) on February 11, 2011. The address of the Company's registered office is 400, 2424 – 4th Street SW Calgary, Alberta T2S 2T4. Mosaic is an investment company that owns a portfolio of established businesses. The Company continues to evaluate, acquire and invest in businesses across a range of industries and geographies.

Products and services are provided through the Company's subsidiaries structured under four business segments: Infrastructure, Energy, Diversified and Real Estate.

The common shares and convertible debentures of Mosaic are listed on the TSX Venture Exchange and trade under the symbols "M" and "M.DB", respectively.

2. BASIS OF PREPARATION

(a) Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standards ("**IAS**") 34 "*Interim Financial Reporting*" as issued by the International Accounting Standards Board (the "**IASB**"). These condensed interim consolidated financial statements have been prepared following the same accounting principles and application methods as those disclosed in the Company's annual audited consolidated financial statements for the year ended December 31, 2016. Because disclosures provided in these condensed interim consolidated financial statements do not conform in all respects with International Financial Reporting Standards ("**IFRS**") for annual financial statements, these condensed interim consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2016.

The condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company (the "**Board**") on November 14, 2017.

(b) Basis of consolidation

The condensed interim consolidated financial statements comprise the financial statements of the Company and its subsidiaries and controlled limited partnerships. Control is achieved when the Company is exposed to or has rights to variable returns from its involvement with the investee and had the ability to affect those returns through its control over the investee.

The condensed interim consolidated financial statements of Mosaic include the following operating entities listed below. The ultimate holding entity of the entities listed below is Mosaic.

	Ownership interest	
	Sep 30, 2017	Dec 31, 2016
Printing Unlimited L.P. ("**Printing Unlimited**")	100%	100%
Allied Cathodic Services L.P. ("**Allied Cathodic**")	80%	80%
Remote Waste L.P. ("**Remote Waste**")	95%	95%
Ambassador Mechanical L.P. ("**Ambassador**")	75%	75%
Kendall's Supply Ltd. ("**Kendall's Supply**")	89%	89%
Industrial Scaffold Services L.P. ("**Industrial Scaffold**")	68%	68%
Place-Crete Systems L.P. ("**Place-Crete**")	75%	75%
South East Construction L.P. ("**SECLP**")	75%	75%
Mackow Industries L.P. ("**Mackow**")	80%	80%
Bassi Construction L.P. ("**Bassi**")	70%	70%
Cedar Infrastructure Products L.P. ("**Cedar**")	75%	-
First West Properties L.P. ("**FWPLP**")	100%	100%

2. BASIS OF PREPARATION *(continued)*

(b) Basis of consolidation *(continued)*

In addition, the Company has a 50% interest in First West Developments L.P. ("**FWDLP**"), a joint venture with Harbour Equity Capital Corp. ("**Harbour Equity**") for the development of the Parker Industrial Park near Regina, Saskatchewan.

(c) Basis of measurement

The condensed interim consolidated financial statements have been prepared on a going-concern basis, using the historical cost convention, except as otherwise noted.

(d) Functional and presentation currency

The Canadian dollar is the Company's functional currency and as such, the condensed interim consolidated financial statements are presented in Canadian dollars.

(e) Use of estimates and judgments

The preparation of the condensed consolidated interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the carrying amounts of assets, liabilities, revenues and expenses and disclosures of contingent assets and liabilities. Actual results may differ from these estimates and the differences could be material. Estimates, judgments and assumptions are reviewed on a continuous basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods.

3. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared using the same accounting policies, and methods of computation as the most recent annual audited consolidated financial statements.

Future accounting standards

(a) IFRS 9 – Financial Instruments: Classification and Measurement

IFRS 9 was issued in November 2009 and is intended to replace IAS 39 – Financial Instruments Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39.

A finalized version of IFRS 9 was issued in July 2014 to include impairment requirements for financial assets and limited amendments to the classification and measurement requirements by introducing a fair value through other comprehensive income measurement category for certain simple debt instruments. This standard must be applied for accounting periods beginning on or after January 1, 2018, with earlier adoption permitted. Mosaic plans to adopt the new standard on the required effective date, and has assessed the new standard and does not expect it to have a material impact on its financial results and financial position.

(b) IFRS 15 – Revenue from Contracts with Customers

IFRS 15 was issued in May 2014, establishing a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 supersedes the current revenue recognition guidance including IAS 18 – Revenue and IAS 11 – Construction Contracts, as well as the related interpretation when it

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) IFRS 15 – Revenue from Contracts with Customers *(continued)*

becomes effective. Under IFRS 15, an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

An entity is required to recognize revenue when the performance obligation is satisfied. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018 with early adoption permitted. Mosaic is developing a transition plan to implement IFRS 15. The Company has concluded on a preliminary basis to use the modified retrospective approach on transition date, in which a cumulative catch-up adjustment will be recorded through equity upon initial adoption. Furthermore, while the Company has not finalized the analysis, it is expected that the new standard will not have a material impact on its financial results and financial position. Additionally, management continues to monitor international developments of the standard as a component of the impact evaluation.

(c) IFRS 16 – Leases

IFRS 16 specifies how an IFRS entity will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 - Leases. Application is required for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted if IFRS 15 has also been applied. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. Mosaic is currently developing a transition plan to identify leasing contracts to determine the impact that the adoption of IFRS 16 may have on its financial statements.

4. FAIR VALUE

To the extent possible, the Company uses data from observable markets to measure the fair value of an asset or liability. Fair value measurements are established based on a hierarchy into three levels that categorizes the inputs to valuation techniques.

Level 1 - Fair value measurement based on unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 - Fair value measurement using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - Fair value measurement using inputs that are not based on observable market data.

Cash and cash equivalents are measured at fair value using Level 1 inputs.

The fair value of accounts receivable, income taxes recoverable, deposits, accounts payable and accrued liabilities, dividends payable and operating loans approximates their carrying value due to their short term to maturity. In management's opinion, the carrying value of operating loans, credit facility and notes payable reflect their estimated fair values as their interest rates approximate market rates available to the Company.

The 5% Debentures (Note 13) are measured at fair value using Level 2 inputs.

The contingent consideration issued by the Company as part of the proceeds on business combinations and Warrants (Note 15) are measured at fair value using Level 3 inputs.

(Unaudited) (in thousands of Canadian dollars, except for per share amounts)

4. FAIR VALUE *(continued)*

	Level 2	Level 3
Balance at Jan 1, 2017	$ -	$ 3,135
Liability on issuance of 5% debentures	46,633	-
Accretion recognized on 5% debentures	260	-
Derivative liability on issuance of warrants	-	20,555
Change in fair value of warrants	-	9,098
Contingent consideration on business combination	-	262
Balance at Sep 30, 2017	**$ 46,893**	**$ 33,050**

The Company's policy is to recognize transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfer. There were no such transfers during the period.

5. BUSINESS COMBINATION

The Company uses the acquisition method of accounting whereby the assets acquired and the liabilities assumed are recorded at their fair value with any excess of the aggregate consideration over the fair value of the identifiable net assets allocated to goodwill.

Cedar

On May 1, 2017, Mosaic completed the acquisition of a 75% interest in the business being carried on by Cedar Infrastructure Products Inc. Cedar is a distributor of municipal iron castings, concrete pipe, pre-cast products and related specialty items to service the road, water and sewer infrastructure and residential construction industries in Vaughan, ON. Cedar is classified as part of the Infrastructure reporting segment.

A portion of the purchase price is contingent upon the future results of operations of Cedar meeting specified targets for each of the next three years after the acquisition date with a maximum aggregate consideration payable of $1,500. Under the terms of the Cedar partnership agreement the non-controlling interests are subject to put and call provisions that may result in future cash outlays.

The following table sets out the details of the Cedar acquisition including the consideration given and allocation of the purchase price to the fair value of the assets acquired and liabilities assumed. The Company is still in the process of identifying and valuing intangible assets (trade names, employee contracts, non-compete agreements, customer lists, intellectual property, etc.) and determining the final amounts of working capital and tax attributes acquired. Fair value allocations are estimated using the best information available. As a result, these preliminary allocations are expected to change and the changes may be material.

Fair value of net assets acquired	
Working capital	$ 4,671
Property, plant and equipment	585
Intangibles	8,900
Goodwill	9,899
Non-controlling interests	(5,808)
Net assets acquired	**$ 18,247**

The goodwill is deductible for income tax purposes.

(Unaudited) (in thousands of Canadian dollars, except for per share amounts)

5. BUSINESS COMBINATION *(continued)*

Cedar *(continued)*

Consideration given	
Cash	$ 14,000
Vendor take back loan	4,014
Contingent consideration	262
Working capital adjustment	(29)
Total consideration	**$ 18,247**

Mackow

On August 1, 2016, Mosaic completed the acquisition of 80% of the business being carried on by Mackow by acquiring the operating assets and liabilities of two related parties, BEKM Ltd. and Mackow Industries. Located in Winnipeg, Manitoba, Mackow is a manufacturer of precision fabricated metal components which are sold primarily to North American manufacturers of transit buses and highway motor coaches. The operations of BEKM Ltd. and Mackow Industries have been determined to constitute a single business as the businesses could not have been purchased or sold separately. Mackow is part of the Diversified reporting segment.

The following table provides the details of the Mackow acquisition including the consideration given and allocation of the purchase price to the fair value of the assets acquired and liabilities assumed. A portion of the purchase price is contingent upon the results of operations of Mackow meeting or exceeding specified targets for each of two consecutive 12 month periods after the acquisition date to an aggregate maximum of $2,000.

Fair value of net assets acquired	
Cash	$ 1,074
Working capital	5,562
Property, plant and equipment	4,179
Finance leases	(971)
Deferred tax liability	(6,856)
Goodwill	14,656
Intangible assets	22,725
Non-controlling interests	(8,026)
Net assets acquired	**$ 32,343**

The goodwill is not deductible for income tax purposes.

Consideration given	
Cash	$ 22,750
Vendor take back loan	6,473
Contingent consideration	1,541
Working capital adjustment	1,579
Total consideration	**$ 32,343**

(Unaudited) (in thousands of Canadian dollars, except for per share amounts)

5. BUSINESS COMBINATION *(continued)*

Bassi

On December 1, 2016, Mosaic completed the acquisition of a 70% interest in the business being carried on by Bassi Construction Ltd. and Basscon Group Inc. Bassi is a multi-discipline commercial and industrial renovation/tenant refit and construction company in Ottawa Ontario. The operations of these two companies have been determined to constitute a single business as the businesses could not have been purchased or sold separately.

The following table provides the details of the Bassi acquisition including the consideration given and allocation of the purchase price to the fair value of the assets acquired and liabilities assumed. A portion of the purchase price is contingent upon the results of operations of Bassi meeting or exceeding specified targets for each of three consecutive 12 month periods after the acquisition date to an aggregate maximum of $6,000.

Fair value of net assets acquired	
Working capital	$ 3,738
Property, plant and equipment	770
Deferred tax liability	(918)
Intangibles	13,602
Goodwill	15,755
Non-controlling interests	(10,068)
Net assets acquired	**$ 22,879**

The goodwill is deductible for income tax purposes.

Consideration given	
Cash	$ 21,500
Vendor take back loan	2,820
Contingent consideration	1,321
Working capital adjustment	(2,762)
Total consideration	**$ 22,879**

(Unaudited) (in thousands of Canadian dollars, except for per share amounts)

6. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles	Buildings	Computer equipment	Production and rental equipment	Furniture and fixtures	Parts inventory	Leasehold improvements	Total
Cost								
Balance at Jan 1, 2016	$ 6,140	$ -	$ 897	$ 22,891	$ 421	$ 438	$ 667	$ 31,454
Acquisitions	643	40	81	4,474	43	-	140	5,421
Additions	1,157	1,174	252	2,428	136	-	134	5,281
Disposals	(770)	-	(102)	(716)	(75)	-	-	(1,663)
Balance at Dec 31, 2016	7,170	1,214	1,128	29,077	525	438	941	40,493
Acquisitions	293	-	55	94	91	-	52	585
Additions	2,465	815	199	7,734	80	-	271	11,564
Disposals	(619)	-	(33)	(726)	-	-	(1)	(1,379)
Balance at Sep 30, 2017	**$ 9,309**	**$ 2,029**	**$ 1,349**	**$ 36,179**	**$ 696**	**$ 438**	**$ 1,263**	**$ 51,263**
Accumulated amortization								
Balance at Jan 1, 2016	$ 2,544	$ -	$ 523	$ 6,254	$ 179	$ 342	$ 213	$ 10,055
Amortization	1,178	8	155	2,880	53	31	71	4,376
Disposals	(453)	-	(90)	(227)	(3)	-	-	(773)
Balance at Dec 31, 2016	3,269	8	588	8,907	229	373	284	13,658
Amortization	1,158	65	146	3,385	63	19	97	4,933
Disposals	(390)	-	(16)	(235)	-	-	-	(641)
Balance at Sep 30, 2017	**$ 4,037**	**$ 73**	**$ 718**	**$ 12,057**	**$ 292**	**$ 392**	**$ 381**	**$ 17,950**
Carrying value								
At Dec 31, 2016	$ 3,901	$ 1,206	$ 540	$ 20,170	$ 296	$ 65	$ 657	$ 26,835
At Sep 30, 2017	**$ 5,272**	**$ 1,956**	**$ 631**	**$ 24,122**	**$ 404**	**$ 46**	**$ 882**	**$ 33,313**

(Unaudited) (in thousands of Canadian dollars, except for per share amounts)

7. INTANGIBLE ASSETS

	Workforce	Trade Name	Customer Relationships	Backlog	Employment Agreements	Non-compete Agreements	Computer Software	Development Costs	Step up leases	Total
Cost										
Balance at Jan 1, 2016	$ -	$ 4,499	$ 33,243	$ 2,397	$ 699	$ 2,209	$ 170	$ -	$ 82	$ 43,299
Acquisitions	4,710	5,400	26,300	1,600	-	930	2	-	-	38,942
Additions	-	-	-	-	-	-	28	-	-	28
Disposals	-	-	-	-	-	-	-	-	(36)	(36)
Impairment	-	-	(3,021)	-	(61)	-	-	-	-	(3,082)
Balance at Dec 31, 2016	4,710	9,899	56,522	3,997	638	3,139	200	-	46	79,151
Acquisitions	400	1,800	6,300	-	-	400	-	-	-	8,900
Additions	-	-	-	-	-	-	96	177	-	273
Disposals	-	-	-	-	-	-	-	-	(28)	(28)
Fully amortized assets derecognized	-	-	-	(665)	-	-	(78)	-	-	(743)
Balance at Sep 30, 2017	**$ 5,110**	**$ 11,699**	**$ 62,822**	**$ 3,332**	**$ 638**	**$ 3,539**	**$ 218**	**$ 177**	**$ 18**	**$ 87,553**
Accumulated amortization										
Balance at Jan 1, 2016	$ -	$ -	$ 9,427	$ 2,397	$ 296	$ 854	$ 182	$ -	$ -	$ 13,156
Amortization	-	-	2,763	117	67	490	25	-	-	3,462
Impairment	-	-	(1,653)	-	(51)	-	-	-	-	(1,704)
Balance at Dec 31, 2016	-	-	10,537	2,514	312	1,344	207	-	-	14,914
Amortization	-	-	3,026	1,200	41	489	53	22	-	4,831
Fully amortized assets derecognized	-	-	-	(665)	-	-	(78)			(743)
Balance at Sep 30, 2017	**$ -**	**$ -**	**$ 13,563**	**$ 3,049**	**$ 353**	**$ 1,833**	**$ 182**	**$ 22**	**$ -**	**$ 19,002**
Carrying value										
At Dec 31, 2016	$ 4,710	$ 9,899	$ 45,985	$ 1,483	$ 326	$ 1,795	$ (7)	$ -	$ 46	$ 64,237
At Sep 30, 2017	**$ 5,110**	**$ 11,699**	**$ 49,259**	**$ 283**	**$ 285**	**$ 1,706**	**$ 36**	**$ 155**	**$ 18**	**$ 68,551**

(Unaudited) (in thousands of Canadian dollars, except for per share amounts)

8. GOODWILL

	Goodwill
Balance at Jan 1, 2016	$ 38,952
Acquisitions	32,941
Impairment	(5,391)
Balance at Dec 31, 2016	66,502
Acquisitions	9,442
Balance at Sep 30, 2017	**$ 75,944**

9. OPERATING LOANS

Mosaic's subsidiaries have facilities available to finance ongoing operations. Each entity is in compliance with the relevant covenants as of September 30, 2017.

10. DEFERRED CONTRACT REVENUE

Costs incurred and earned revenue, net of billings, on uncompleted contracts is presented in the Financial Statements under the following captions:

	Three months ended Sep 30,		Nine months ended Sep 30,	
	2017	2016	**2017**	2016
Earned revenue on projects to date (included in revenue)	**$ 56,542**	$ 38,305	**$ 135,838**	$ 102,040
Less: billings on projects to date	**(57,275)**	(42,011)	**(136,571)**	(105,746)
Gross margin	**$ (733)**	$ (3,706)	**$ (733)**	$ (3,706)

Reported as:	**Sep 30, 2017**	Dec 31, 2016
Revenues in excess of billings	**$ 1,187**	$ 765
Deferred contract revenue	**(1,920)**	(4,457)
	$ (733)	$ (3,692)

	Three months ended Sep 30,		Nine months ended Sep 30	
	2017	2016	**2017**	2016
Contract revenue (included in revenue)	**$ 56,542**	$ 38,305	**$ 135,838**	$ 102,040
Contract expenses (included in operating expenses)	**(43,609)**	(31,476)	**(107,640)**	(80,619)
Gross margin	**$ 12,933**	$ 6,829	**$ 28,198**	$ 21,421

(Unaudited) (in thousands of Canadian dollars, except for per share amounts)

11. CREDIT FACILITY

On January 24, 2017, as amended June 30, 2017, Mosaic secured a $50,000 revolving three-year credit facility agreement with a Canadian financial institution (the "**2017 Credit Facility**"), bearing interest at rates ranging from prime plus 0.50% - 1.50%. $15,000 of the 2017 Credit Facility's availability is subject to completion of an acquisition. The 2017 Credit Facility replaced a pre-existing three-year $25,000 revolving credit facility agreement with the same financial institution.

The 2017 Credit Facility is secured by general security agreements granted by Mosaic and certain of its subsidiaries together with an assignment of securities that Mosaic holds in certain subsidiaries as well as guarantees granted by certain of Mosaic's subsidiaries.

The 2017 Credit Facility contains quarterly financial covenants that Mosaic will not at any time, without prior written consent, breach the following restrictions:

(i) Total Debt[(1)] to Gross EBITDA[(2)] not to exceed 3.00 : 1.00;

(ii) Net Funded Debt[(3)] to EBITDA[(4)] not to exceed 3.00 : 1.00;

(iii) Fixed Charge Coverage Ratio (EBITDA divided by Fixed Charges[(5)]) to be not less than 1.10 : 1.00; and

(iv) Specified subsidiaries' aggregate net funded debt to subsidiaries' aggregate Gross EBITDA not to exceed 0.50 : 1.00.

As at September 30, 2017, Mosaic's compliance with these covenants is as follows:

		Covenant	As Calculated	Compliant
Consolidated:	Total Debt : Gross EBITDA	< 3.00	1.80	Yes
Consolidated:	Net Funded Debt : EBITDA	< 3.00	1.97	Yes
Consolidated:	Fixed Charge Coverage Ratio	> 1.10	1.37	Yes
Subsidiary net funded debt : Subsidiary EBITDA		< 0.50	0.43	Yes

(1) Total Debt is defined to include consolidated bank debt, convertible debentures, capital lease obligations, equipment financing obligations, vendor take-back notes and other commercial notes.
(2) Gross EBITDA is EBITDA including portion attributable to minority interests. EBITDA is defined as earnings before interest, taxes, depreciation and amortization.
(3) Net Funded Debt is Total Debt minus net cash balances.
(4) EBITDA defined as Mosaic's share of consolidated adjusted earnings before interest, taxes, depreciation and amortization, minus portion attributable to minority interests.
(5) Fixed Charges defined to include scheduled payments on debt obligations plus distributions to security holders of Mosaic. For Q4'16 through Q4'18, the calculation of Fixed Charges to be reduced by consolidated cash balances

(Unaudited) (in thousands of Canadian dollars, except for per share amounts)

12. NOTES PAYABLE

	Sep 30, 2017	Dec 31, 2016
Vendor take-back loan of $6,750 related to the acquisition of Mackow. The loan bears interest at 5% per annum and is repayable in blended quarterly payments of $609 to July 2019. The note is secured by a general security agreement charge against all present and after-acquired personal property of Mackow in favour of the holder of the note.	**$ 4,499**	$ 6,225
Vendor take-back note of $3,000 related to the acquisition of Bassi. The note bears interest at 5.5% per annum, with quarterly interest payments of $41 required until the principal amount is repaid on November 30, 2019. The note is secured by a general security agreement charge against all assets of Bassi and a guarantee by Mosaic LP both in favour of the holder of the loan.	**2,865**	3,000
Vendor take-back loan of $4,000 related to the Place-Crete Acquisition. The loan bears interest at 5% per annum and is repayable in blended quarterly payments of $361. The note is secured by a security interest in a certain number of LP.	**-**	1,057
Vendor take-back loan of $3,581 related to the SECLP Acquisition. The loan bears interest at 5% per annum and is repayable in blended quarterly payments of $321 to August 2017. The note is secured by a security interest in a certain number of LP units as provided in the pledge agreement between Mosaic and SECLP.	**-**	938
Vendor take-back note of $4,333 related to the acquisition of Cedar. The note bears interest at 5% per annum, with interest payments of $217 on May 1 of calendar years required until the principal amount is repaid on May 1, 2020. The note is secured by a general security agreement from the Borrower to the Holder granting a subordinated security interest in all present and after acquired personal property of the Borrower.	**4,055**	-
Promissory note of $425 related to the acquisition of Associated Asbestos Abatement Ltd ("**AAA**"). The loan bears interest at 5% per annum, with quarterly payments of $30 plus accrued interest until January 1, 2019. The remaining balance outstanding at January 1, 2019 will be payable in equal quarterly amounts plus accrued interest with the last payment on January 1, 2020. During the term of the promissory note, the principal amount will be decreased if certain future results are not obtained by AAA. The note is secured by a general security agreement charge against all assets purchased by Place-Crete from AAA in favour of the holder of the note.	**365**	425
Promissory note of $2,850 related to the acquisition of Tundra. The loan is non-interest bearing and was paid in full subsequent to December 31, 2016.	**-**	2,850
Equipment loans and a leasehold improvement loan from a financial institution. Interest rates range from bank prime plus 0.5 to 1.6% per annum and are repayable in blended monthly payments over a maximum 60-month period. The notes are secured by a general security agreement and a registered first charge on purchased equipment.	**2,149**	1,139
Term loan of $480 from a financial institution to a limit of $535 bearing interest at prime plus 1% per annum and is repayable in blended monthly payments over a 20-year period. The loan is secured by a first charge mortgage on the property purchased.	**429**	442
Finance leases of $9,974, vehicle loans of $389 and other loans of $738. Interest rates range from 0% to 9.6% and maturity dates range from 2018 to 2032.	**6,193**	2,152
	20,555	18,228
Less: Current portion	**(4,706)**	(8,745)
	$ 15,849	$ 9,483

(Unaudited) (in thousands of Canadian dollars, except for per share amounts)

12. NOTES PAYABLE *(continued)*

Payments of principal amounts owing are scheduled as follows:

	Principal repayments
2017	$ 4,706
2018	4,286
2019	9,203
2020	927
2021 and after	1,433
	$ 20,555

13. 5% DEBENTURES

On January 26, 2017, Mosaic issued $50,000 of 5% Debentures with a face value of $1,000 per 5% Debenture (the "**5% Debentures**"). The 5% Debentures bear interest at a rate of 5% per annum, mature on January 26, 2024, are not redeemable before maturity and are secured by a security interest on all the assets of Mosaic and certain of its subsidiaries, subordinate only to the priority security interest of Mosaic's Canadian financial institution. Mosaic incurred $139 in transaction costs.

As at	**Sep 30, 2017**	Dec 31, 2016
Face value	**$ 50,000**	$ -
Fair value adjustment	**(2,982)**	-
Transaction costs	**(125)**	-
	$ 46,893	$ -

The 5% Debentures contains a financial covenant that total debt to gross EBITDA will not exceed 2.50:1.00 without prior written consent. Total debt is defined to include consolidated bank debt, convertible debentures, capital lease obligations, equipment financing obligations, vendor take-back notes and other commercial notes, all to the extent they rank in priority to the 5% Debentures. Gross EBITDA is defined as gross earnings before interest, taxes, depreciation and amortization.

Mosaic is in compliance with this covenant as at September 30, 2017.

14. CONVERTIBLE DEBENTURES

During the nine months ended September 30, 2017, the holders of the convertible debentures converted 2,502 convertible debentures into 277,988 Mosaic common shares.

The holder of the convertible debenture has the contractual right at anytime to convert to common shares at a conversion ratio of 111.11 common shares for each convertible debenture.

The Company has the contractual right until December 31, 2020 to convert the convertible debentures to common shares at a conversion ratio of $1,000/95% of the common share market price if the common share purchase price is greater than $11.25.

The Company has the contractual right from January 1, 2021 until December 31, 2021 to convert the convertible debentures to common shares at a conversion ratio of $1,000/95% of the common share market price.

(Unaudited) (in thousands of Canadian dollars, except for per share amounts)

14. CONVERTIBLE DEBENTURES *(continued)*

Debt component		
December 31, 2016	$	13,162
Amortization of transaction costs		106
Accretion		141
Conversion to common shares		(2,116)
September 30, 2017	**$**	**11,293**

Equity component		
December 31, 2016		1,164
Deferred tax adjustment		(194)
Conversion to common shares		(156)
September 30, 2017	**$**	**814**

The amount paid for interest related to the convertible debentures for the nine months ended September 30, 2017 was $715 (September 30, 2016 - $nil).

15. COMMON SHARE PURCHASE WARRANTS

On January 26, 2017, Mosaic issued common share purchase warrants (the "**Warrants**") entitling the holder to acquire up to 17,026,000 common shares of Mosaic at a price of $8.81 per common share until January 26, 2024. The holder has the option to exercise the Warrants on a cashless basis whereby they can elect to be issued a number of common shares calculated as the number of Warrants multiplied by the common share market value at time of exercise minus the Warrant strike price ($8.81 per Warrant), divided by the common share market value at time of exercise. As such, the Warrants were deemed as a derivative liability and are measured at fair value with changes in fair value recognized through the consolidated statements of income and comprehensive income at each reporting period. A change in the inputs utilized to calculate the fair value such as the Company's share price, volatility, remaining life, common share liquidity, dilution impact and interest rate may have a material impact on the consolidated statements of income and comprehensive income at each reporting period.

On January 27, 2017, the Warrants were valued using the residual value methodology as they were issued as part of an aggregate $150,000 offering (the "**Offering**") which included the 5% Debentures and 6% Preferred Securities. Under the residual value methodology, the 5% Debentures and 6% Preferred Securities were valued first, as their valuation inputs were more readily observable. Accordingly, the Warrants were valued as the residual amount of $20,555, calculated as the total proceeds of the Offering minus the fair value of the 5% Debentures and the 6% Preferred Securities.

In determining the fair value of the Warrants as at September 30, 2017, the Company used an option pricing model with the following assumptions: weighted average volatility rate of 30%; risk-free interest rate of 2.00%; liquidity discount of 20%; and expected life of 6.3 years. The liquidity discount involves significant management judgment and is an unobservable input which is categorized within Level 3 of the fair value hierarchy.

16. EQUITY

(a) Common Shares

If the Warrants are fully exercised for cash, the holder would own approximately 59% of the issued and outstanding common shares of Mosaic.

16. EQUITY *(continued)*

(b) 6% Preferred Securities

Mosaic is authorized to issue an unlimited number of senior preferred securities. On January 26, 2017, Mosaic issued $100,000 of 6% senior preferred securities (the "**6% Preferred Securities**"). The 6% Preferred Securities bear interest at a rate of 6% per annum and are unsecured obligations of Mosaic subordinate to all liabilities of Mosaic, excluding obligations specifically subordinated to the 6% Preferred Securities. The 6% Preferred Securities rank senior to Mosaic's existing 7% convertible unsecured senior subordinated debentures. Mosaic incurred $277 in transaction costs.

The 6% Preferred Securities are not redeemable by Mosaic before January 26, 2022 (the "**Call Date**"). After the Call Date, the 6% Preferred Securities may be redeemed at the option of Mosaic at a price per 6% Preferred Security equal to the greater of: (i) $10; and (ii) the ten-day volume weighted average trading price of the 6% Preferred Securities.

The 6% Preferred Securities were recorded at fair value upon issue. Mosaic used a discount rate of 7.3% in arriving at the fair value of $82,395, net of transaction costs.

(c) 10% preferred securities

On February 10, 2017, Mosaic redeemed all outstanding 10% preferred securities for a cash payment of $10.1096 per each 10% preferred security for an aggregate redemption cost of approximately $105,900.

(d) Private Yield Securities and Warrants

On February 10, 2017, Mosaic retracted all outstanding private yield securities for a cash payment of $1 per each private yield security for an aggregate retraction cost of approximately $26,800. All outstanding warrants to purchase private yield securities expired in accordance with their terms.

(e) Subscription Privileges

On March 3, 2017, Mosaic issued 2,551,020 subscription privileges, which the subscription privileges entitled the holders to subscribe for up to 2,551,020 common shares of Mosaic at a subscription price of $9.80 per share. Mosaic issued a total of 1,550,302 common shares for gross proceeds of $15,193.

(Unaudited) (in thousands of Canadian dollars, except for per share amounts)

17. SHARE CAPITAL

Number of:	Common Shares	Preferred Securities	Series "A" Shares	Private Yield Securities	Warrants – Private Yield Securities
Balance at Jan 1, 2016	8,359,000	10,488,000	88,000	27,000	27,000
Cancellations	(41,000)	(25,000)	-	-	-
Restricted share units Issued	28,000	14,000	-	-	-
Balance	8,346,000	10,477,000	88,000	27,000	27,000
Balance at Jan 1, 2017	8,346,000	10,477,000	88,000	27,000	27,000
Redemptions and Retractions	-	(10,477,000)	(88,000)	(27,000)	(27,000)
Issuances	1,550,000	10,000,000	-	-	-
Convertible debenture Conversions	278,000	-	-	-	-
Exercise of stock options	127,000	-	-	-	-
Restricted share units Issued	12,000	-	-	-	-
Restricted share units Purchased	(30,000)	-	-	-	-
Balance at Sep 30, 2017	**10,283,000**	**10,000,000**	**-**	**-**	**-**

18. REVENUE

	Three months ended Sep 30,		Nine months ended Sep 30,	
	2017	2016	**2017**	2016
Contract revenue	**$ 56,542**	$ 38,305	**$ 135,838**	$ 102,040
Sale of goods	**19,003**	8,267	**43,556**	13,900
Rendering of services	**19,988**	11,008	**43,683**	29,570
Revenue related to income-producing properties	**123**	231	**414**	815
	$ 95,656	$ 57,811	**$ 223,491**	$ 146,325

19. COMPENSATION

The aggregate consolidated payroll expense of employees, officers and directors is as follows:

	Three months ended Sep 30,		Nine months ended Sep 30,	
	2017	2016	**2017**	2016
Salaries	**$ 7,757**	$ 3,696	**$ 21,473**	$ 12,430
Equity-based compensation	**(179)**	334	**38**	659
	$ 7,578	$ 4,030	**$ 21,511**	$ 13,089

(Unaudited) (in thousands of Canadian dollars, except for per share amounts)

20. NET FINANCE COSTS

	Three months ended Sep 30,		Nine months ended Sep 30,	
	2017	2016	**2017**	2016
Interest:				
Expense	**$ 1,304**	$ 206	**$ 3,427**	$ 470
Income on cash and cash equivalents	**(16)**	(21)	**(77)**	(220)
Accretion expense	**796**	-	**1,047**	-
Amortization of debt issue costs	**123**	-	**204**	-
	$ 2,207	$ 185	**$ 4,601**	$ 250

21. EARNINGS PER SHARE

Earnings per share is calculated as follows:

	Three months ended Sep 30,		Nine months ended Sep 30,	
	2017	2016	**2017**	2016
Net income (loss) from continuing operations for common shareholders - Basic	**$ 4,003**	$ (1,473)	**$ 8,092**	$ (3,807)
Effect of dilutive securities	**280**	-	**926**	-
Net income (loss) from continuing operations for common shareholders - Diluted	**$ 4,283**	$ (1,473)	**$ 9,018**	$ (3,807)
Weighted average number of common shares – Basic	**10,252**	8,347	**9,591**	8,347
Average number of shares for options	**229**	-	**303**	-
Average number of shares for RSUs	**252**	-	**273**	-
Average number of common shares issuable upon convertible debentures conversion	**1,459**	-	**1,511**	-
Weighted average number of common shares – Diluted	**12,192**	8,347	**11,684**	8,347
Basic EPS	**$ 0.39**	$ (0.18)	**$ 0.84**	$ (0.46)
Diluted EPS	**$ 0.35**	$ (0.18)	**$ 0.77**	$ (0.46)

For the three months ended September 30, 2017, the Company excluded 206,735 stock options, 74,522 RSUs and 17,026,106 warrants as their inclusion would be anti-dilutive. For the nine months ended September 30, 2017, the Company excluded 145,063 stock options, 46,024 RSUs, and 15,342,205 as their inclusion would be anti-dilutive. For the three and nine months ended September 30, 2016, the Company excluded all dilutive instruments as their inclusion would be anti-dilutive.

(Unaudited) (in thousands of Canadian dollars, except for per share amounts)

22. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash operating working capital:

	Three months ended Sep 30,		Nine months ended Sep 30,	
	2017	2016	**2017**	2016
Trade, accrued and other receivables	**$ (10,951)**	$ (3,510)	**$ (20,003)**	$ (9,502)
Inventories	**(1,684)**	(93)	**(3,156)**	(977)
Deposits and prepaid expenses	**(47)**	(714)	**775**	(1,287)
Trade, accrued and other payables	**3,597**	2,969	**5,464**	2,162
Distributions payable	**427**	-	**427**	(2)
Income taxes recoverable	**1,358**	969	**1,145**	1,365
Deferred contract revenue	**(3,270)**	(389)	**(2,537)**	(1,288)
	$ (10,570)	$ (768)	**$ (17,885)**	$ (9,529)

23. RELATED PARTY TRANSACTIONS

Rent of $526 for the three months ended September 30, 2017 (September 30, 2016 - $250) and $1,579 for the nine months ended September 30, 2017 (September 2016 - $396) for space occupied by certain of Mosaic's subsidiaries was paid to entities controlled by minority partners within Mosaic's subsidiaries. These leasing arrangements were made at normal commercial terms.

Related party transactions are in the normal course of operations and are recorded on an arms length basis.

There were no amounts outstanding to or from related parties as of September 30, 2017 (December 31, 2016 $nil).

24. COMMITMENTS AND CONTINGENT LIABILITIES

Mosaic has commitments under operating leases for office and shop space and equipment as well as commitments to pay contingent consideration in relation to its business combinations. Amounts to be paid in relation to these are approximately as follows:

Year	Amount
2017	$ 895
2018	3,195
2019	3,195
2020	2,303
2021 and after	3,214
	$ 12,802

Certain subsidiaries of Mosaic are contingently liable for contractor obligations relating to performance and completion of construction contracts. These may include contingent liabilities for subcontractors failing to meet their contractual performance obligations.

As part of normal ongoing operations, it is possible that Mosaic and its subsidiaries could become involved in litigation and claims from time to time. Management is not presently aware of any litigation or claims where likelihood and quantum of liability can be reasonably estimated and which would materially affect the financial position or results of operations of Mosaic. In addition, Mosaic or its subsidiaries may provide indemnifications, in

(Unaudited) (in thousands of Canadian dollars, except for per share amounts)

24. COMMITMENTS AND CONTINGENT LIABILITIES *(continued)*

the normal course of business, that are often standard contractual terms to counterparties in certain transactions, such as purchase and sale agreements or service contracts. The terms of these indemnifications will vary based upon the contract, the nature of which prevents Mosaic from making a reasonable estimate of the maximum potential amounts that may be required to be paid.

25. FINANCIAL INSTRUMENTS

The Company is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Company's risk exposure and concentration.

(a) Fair value

Due to the short-term nature of: cash; trade, accrued, and other receivables; trade, accrued, and other payables and distributions payable; the Company has determined that the carrying amounts approximate fair value. The carrying amounts of credit facility; and notes payable also approximate fair value as they were entered recently and interest rates have not changed materially during the period.

(b) Liquidity risk

Liquidity risk is the risk that the Company will incur difficulties in meeting its financial obligations as they come due. The table below summarizes the future undiscounted contractual cash flow requirements as at September 30, 2017 for its financial liabilities:

	Carrying amount	Contractual cash flow	Less than 12 months	1 – 2 years	2 -3 years	Thereafter
Operating loans	**$ 6,761**	$ 6,761	$ 4,753	$ 122	$ 127	$ 1,759
Trade, accrued, and other payables	**42,942**	42,942	42,942	-	-	-
Distributions payable	**1,512**	1,512	1,512	-	-	-
Credit facility	**17,501**	18,480	260	260	17,960	-
Contingent consideration	**3,273**	4,320	1,003	1,797	1,520	-
Notes payable	**20,555**	22,353	5,563	4,955	9,475	2,360
5% debentures	**46,893**	65,625	2,500	2,500	2,500	58,125
Convertible debentures	**11,293**	-	-	-	-	-
Common share purchase warrants	**11,457**	-	-	-	-	-
	$ 162,187	$ 161,933	$ 58,533	$ 9,634	$ 31,582	$ 62,244

The Company's liquidity requirements are met through the cash generated from operations. Management monitors and manages its liquidity risk through regular monitoring of its financial liabilities against the constraints of its available financial assets.

(c) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk. The Company does not currently have any significant direct exposure to currency risk, commodity price risk or other price risk. Management believes the risk faced by the Company with regard

25. FINANCIAL INSTRUMENTS *(continued)*

(c) Market risk *(continued)*

to market risk is an acceptable risk faced in the ordinary course of business. General economic conditions globally, including relative strength of the Canadian dollar may adversely affect the value of the Company's business and the value of its financial instruments.

(d) Interest rate risk

The Company is exposed to interest rate risk to the extent that the Credit facility bears interest based on prime rates. Based on outstanding amounts under the Credit facilities as September 30, 2016, a 1% movement in the prime rate would change the interest expense by approximately $210 (2016 - $228).

26. SEGMENTED INFORMATION

Mosaic's reportable business segments include strategic business units that offer different products and services but share similar economic characteristics and/or operate in similar geographic locations and represent those components of the Company that are evaluated regularly by the chief operating decision maker in assessing performance and allocating resources.

Mosaic has four reportable business segments:

- Infrastructure - consists of the business operations comprised of Ambassador, Place-Crete, SECLP, Bassi and Cedar.
- Energy - consists of the business operations comprised of Allied Cathodic and Remote Waste.
- Diversified - consists of the business operations comprised of through Industrial Scaffold, Kendall's Supply, Printing Unlimited and Mackow.
- Real Estate - consists of a portfolio of income-producing commercial and industrial real estate assets in Fort McMurray, Alberta and Regina, Estevan and Saskatoon, Saskatchewan conducted through FWPLP and its 50% interest in FWDLP.

"**Corporate**" is used in the following segment tables is not a separate segment and is only presented to reconcile to the consolidated results. It consists of expenses incurred at the Company's head office. Mosaic evaluates each segment's performance based on operating income. Mosaic's method of calculating operating income may differ from that of other corporations and therefore may not be comparable to measures utilized by them.

(Unaudited) (in thousands of Canadian dollars, except for per share amounts)

26. SEGMENTED INFORMATION *(continued)*

Three months ended Sep 30, 2017	Infra-structure	Energy	Diversified	Real Estate	Corporate	Total
Revenue	$ 64,047	$ 4,690	$ 26,796	$ 123	$ -	$ 95,656
Operating expenses	55,627	3,480	22,713	161	1,670	83,651
	8,420	1,210	4,083	(38)	(1,670)	12,005
Amortization of income-producing properties	-	-	-	49	-	49
Amortization of property, plant and equipment	720	442	711	-	7	1,880
Amortization of intangible assets	943	93	649	-	3	1,688
(Gain) loss on sale of property and equipment	(25)	-	-	-	-	(25)
Equity-based compensation	-	-	-	-	(179)	(179)
Operating income (loss)	6,782	675	2,723	(87)	(1,501)	8,592
Net finance costs	520	35	346	27	1,279	2,207
Foreign exchange gain	32	116	100	-	1	249
Share of joint venture income	-	-	-	(112)	-	(112)
Other loss (gain)	413	-	(432)	-	-	(19)
Income (loss)before change in fair value derivative and income taxes	5,817	524	2,709	(2)	(2,781)	6,267
Change in fair value of common share purchase warrants	-	-	-	-	3,158	3,158
Income (loss) before income taxes	$ 5,817	$ 524	$ 2,709	$ (2)	$ 377	$ 9,425
Purchase of property, plant and equipment	$ 375	$ 247	$ 415	$ -	$ 3	$ 1,040

(Unaudited) (in thousands of Canadian dollars, except for per share amounts)

26. SEGMENTED INFORMATION *(continued)*

Nine months ended Sep 30, 2017	Infra-structure	Energy	Diversified	Real Estate	Corporate	Total
Revenue	$ 147,242	$ 9,876	$ 65,959	$ 414	$ -	$ 223,491
Operating expenses	132,989	7,832	53,867	658	5,978	201,324
	14,253	2,044	12,092	(244)	(5,978)	22,167
Amortization of income-producing properties	-	-	-	146	-	146
Amortization of property, plant and equipment	2,010	1,238	1,666	-	19	4,933
Amortization of intangible assets	2,650	278	1,889	-	14	4,831
(Gain) loss on sale of property and equipment	(3)	(15)	106	(24)	-	64
Equity-based compensation	-	-	-	-	38	38
Operating income	9,596	543	8,431	(366)	(6,049)	12,155
Net finance costs	599	92	409	78	3,423	4,601
Foreign exchange gain	17	116	160	-	1	294
Share of joint venture income	-	-	-	(340)	-	(340)
Costs of proposed equity financing	-	-	-	-	91	91
Other loss (income)	413	-	(432)	-	-	(19)
Income (loss)before change in fair value derivative and income taxes	8,567	335	8,294	(104)	(9,564)	7,528
Change in fair value of common share purchase warrants	-	-	-	-	9,098	9,098
Income (loss) before income taxes	$ 8,567	$ 335	$ 8,294	$ (104)	$ (466)	$ 16,626
Purchase of property, plant and equipment	$ 2,773	$ 1,626	$ 7,707	$ -	$ 43	$ 12,149

(Unaudited) (in thousands of Canadian dollars, except for per share amounts)

26. SEGMENTED INFORMATION *(continued)*

Three months ended Sep 30, 2016	Infra-structure	Energy	Diversified	Real Estate	Corporate	Total
Revenue	$ 39,037	$ 1,406	$ 17,138	$ 230	$ -	$ 57,811
Operating expenses	35,365	1,021	12,954	188	1,587	51,115
	3,672	385	4,184	42	(1,587)	6,696
Amortization of income-producing properties	-	-	-	49	-	49
Amortization of property, plant and equipment	592	171	388	-	6	1,157
Amortization of intangible assets	270	137	279	-	4	690
(Gain) loss on sale of property and equipment	(4)	-	54	-	-	50
Equity-based compensation	-	-	-	-	334	334
Operating income (loss)	2,814	77	3,463	(7)	(1,931)	4,416
Net finance (income) costs	(12)	17	54	26	100	185
Foreign exchange gain	-	-	(25)	-	-	(25)
Share of joint venture loss	-	-	-	48	-	48
Costs of proposed equity financing	-	-	-	-	-	-
Other loss	279	-	-	-	-	279
Income (loss) before change in fair value derivative and income taxes	2,547	60	3,434	(81)	(2,031)	3,929
Change in fair value of common share purchase warrants	-	-	-	-	-	-
Income (loss) before taxes	$ 2,547	$ 60	$ 3,434	$ (81)	$ (2,031)	$ 3,929
Purchase of property, plant and equipment	$ 543	$ 49	$ 4,315	$ -	$ 5	$ 4,912

(Unaudited) (in thousands of Canadian dollars, except for per share amounts)

26. SEGMENTED INFORMATION *(continued)*

Nine months ended Sep 30, 2016	Infra-structure	Energy	Diversified	Real Estate	Corporate	Total
Revenue	$ 104,056	$ 4,746	$ 36,708	$ 815	$ -	$ 146,325
Operating expenses	92,010	3,878	29,270	443	3,937	129,538
	12,046	868	7,438	372	(3,937)	16,787
Amortization of income-producing properties	-	-	-	146	-	146
Amortization of property, plant and equipment	1,719	495	850	-	16	3,080
Amortization of intangible assets	809	412	834	-	9	2,064
Loss (gain) on sale of property and equipment	24	(12)	39	-	-	51
Equity-based compensation	-	-	-	-	659	659
Operating income (loss)	9,494	(27)	5,715	226	(4,621)	10,787
Net finance (income) costs	(137)	69	181	77	60	250
Foreign exchange gain	-	-	(25)	-	-	(25)
Share of joint venture income	-	-	-	(139)	-	(139)
Costs of proposed equity financing	-	-	-	-	-	-
Other loss	279	-	-	-	-	279
Income (loss) before change in fair value derivative and income taxes	9,352	(96)	4,965	288	(4,681)	10,422
Change in fair value of common share purchase warrants	-	-	-	-	-	-
Income (loss) before taxes	$ 9,352	$ (96)	$ 5,559	$ 288	$ (4,681)	$ 10,422
Purchase of property, plant and equipment	$ 1,317	$ 353	$ 4,965	$ -	$ 15	$ 6,650

As at Sep 30, 2017	Infra-structure	Energy	Diversified	Real Estate	Corporate	Total
Total assets	$189,323	$ 17,555	$ 86,151	$ 15,280	$ 4,944	$ 313,253
Total liabilities	$ 44,731	$ 3,189	$ 18,756	$ 3,091	$ 97,745	$ 167,512

As at Dec 31, 2016	Infra-structure	Energy	Diversified	Real Estate	Corporate	Total
Total assets	$146,144	$ 15,964	$ 81,007	$ 16,821	$ 15,994	$ 275,930
Total liabilities	$ 44,476	$ 1,833	$ 16,830	$ 3,197	$ 41,091	$ 107,427

(Unaudited) (in thousands of Canadian dollars, except for per share amounts)

27. SUBSEQUENT EVENTS

(a) Business combination

Effective November 1, 2017, the Company acquired control of the business being carried on by Circle 5 Tool & Mold Inc., a supplier of molding solutions to tier 1 automotive part manufacturers based out of Windsor, Ontario. The $27,000 acquisition of 75% of the successor business, Circle 5 Tool & Mold LP ("**Circle 5**"), was financed with $7,000 from Mosaic's credit facility and $20,000 from the issuance of partnership units in a newly formed limited partnership that Mosaic controls.

The following table sets out the details of the Circle 5 acquisition including the consideration given and allocation of the purchase price to the fair value of the assets acquired and liabilities assumed. The Company is still in the process of identifying and valuing intangible assets and determining the amounts of working capital and tax attributes acquired. Fair value allocations are estimated using the best information available. As a result, these preliminary allocations are expected to change and the changes may be material.

Fair value of net assets acquired	
Working capital	$ 5,200
Property, plant and equipment	6,000
Goodwill and intangibles	24,800
Non-controlling interests	(9,000)
Net assets acquired	**$ 27,000**

The goodwill is deductible for tax purposes.

(b) Credit facility

In conjunction with the business combination of Circle 5, the Company amended certain terms of its 2017 Credit Facility (note 11) effective November 1, 2017. Among other things, the definition of specified subsidiaries aggregate net funded debt was amended by removing vendor-take-back notes payable form the calculation.