

 MOSAIC CAPITAL CORPORATION



Condensed Interim Consolidated Financial Statements (unaudited)  
For the three and six months ended June 30, 2017 and 2016

Dated: August 14, 2017

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**"Growth through sustainable cash flow"**

**Mosaic Capital Corporation**  
**Condensed Interim Consolidated Statements of Financial Position**  
*(Unaudited) (in thousands of Canadian dollars)*

As at	Notes	Jun 30, 2017	Dec 31, 2016
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents		\$ 17,836	\$ 24,938
Accounts receivable		77,962	66,954
Inventories		12,724	7,615
Deposits and prepaid expenses		1,067	1,818
Income taxes recoverable		707	494
		<b>110,296</b>	<b>101,819</b>
Non-current assets			
Property held for development		425	985
Income-producing properties		11,586	11,683
Loan receivable		255	173
Investment in joint venture		3,090	3,495
Property, plant & equipment	7	34,679	26,835
Employee share purchase plan		120	201
Goodwill and other intangible assets	8	147,533	130,739
		<b>197,688</b>	<b>174,111</b>
<b>Total assets</b>		<b>\$ 307,984</b>	<b>\$ 275,930</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Current liabilities			
Operating loans	9	\$ 3,178	\$ 2,211
Accounts payable & accrued liabilities		38,010	36,700
Dividends payable		1,496	1,085
Deferred contract revenue	6	5,190	4,457
Credit facility	10	-	24,500
Current portion of contingent consideration		1,233	971
Current portion of notes payable	11	5,677	8,745
		<b>54,784</b>	<b>78,669</b>
Non-current liabilities			
Credit facility	10	16,582	-
Contingent consideration		2,164	2,164
Notes payable	11	17,326	9,483
5% debentures	12	46,800	-
Convertible debentures	13	11,209	13,162
Common share purchase warrants	14	14,614	-
Deferred income tax liability		3,145	3,902
Security deposits		32	47
		<b>111,872</b>	<b>28,758</b>
<b>Total liabilities</b>		<b>166,656</b>	<b>107,427</b>
<b>Equity</b>			
Common shares	15	34,843	17,853
6% preferred securities	15	82,395	-
10% preferred securities	15	-	102,161
Series "A" shares		-	570
Private yield securities	15	-	23,922
Warrants - private yield securities	15	-	1,887
Contributed surplus		1,482	1,652
Convertible debentures	13	814	1,164
Non-controlling interests		48,787	43,051
Deficit		(26,993)	(23,757)
<b>Total equity</b>		<b>141,328</b>	<b>168,503</b>
<b>Total liabilities and equity</b>		<b>\$ 307,984</b>	<b>\$ 275,930</b>

Commitments and contingent liabilities (Note 23).  
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)

	Notes	Three months ended Jun 30,		Six months ended Jun 30,	
		2017	2016	2017	2016
<b>REVENUE</b>	18	\$ 69,726	\$ 48,270	\$ 127,835	\$ 88,514
<b>OPERATING EXPENSES</b>		<b>64,758</b>	43,131	<b>117,673</b>	78,423
		<b>4,968</b>	5,139	<b>10,162</b>	10,091
<b>EXPENSES</b>					
Amortization of income-producing properties		48	48	97	97
Amortization of property, plant & equipment	7	1,636	983	3,053	1,923
Amortization of intangible assets	8	1,612	688	3,143	1,374
Loss (gain) on sale of property, plant & equipment		(40)	30	89	1
Equity-based compensation		422	223	217	325
		<b>3,678</b>	1,972	<b>6,599</b>	3,720
Operating income		<b>1,290</b>	3,167	<b>3,563</b>	6,371
Net finance costs	20	1,361	22	2,394	65
Foreign exchange loss		41	-	45	-
Share of joint venture income		(44)	(240)	(228)	(187)
Costs of proposed equity financing		91	-	91	-
Income (loss) before change in fair value of derivatives and income taxes		(159)	3,385	1,261	6,493
Change in fair value of common share purchase warrants	14	6,804	-	5,941	-
Income before income taxes		<b>6,645</b>	3,385	<b>7,202</b>	6,493
Provisions for income tax:					
Current (recovery)		100	(162)	141	245
Deferred (reduction)		(1,058)	-	(1,552)	(183)
		(958)	(162)	(1,411)	62
<b>Net income and comprehensive income</b>		<b>\$ 7,603</b>	\$ 3,547	<b>\$ 8,613</b>	\$ 6,431
Net income and comprehensive income attributable to:					
Equity holders of Mosaic Capital Corporation		\$ 6,515	\$ 2,201	\$ 6,575	4,205
Non-controlling interests		1,088	1,346	2,038	2,226
		<b>\$ 7,603</b>	\$ 3,547	<b>\$ 8,613</b>	6,431
Earnings (loss) per common share:					
Basic	16	\$ 0.49	\$ (0.13)	\$ 0.27	\$ (0.28)
Diluted	16	\$ 0.43	\$ (0.13)	\$ (0.31)	\$ (0.28)

See accompanying notes to the condensed interim consolidated financial statements.

**Mosaic Capital Corporation**  
**Condensed Interim Consolidated Statements of Changes in Equity**  
(Unaudited) (in thousands)

Notes	Number of Common Shares	Common Shares	Number of Preferred Securities	Preferred Securities	Number of Series "A" Shares	Series "A" Shares	Number of Private Yield Securities	Private Yield Securities	Number of Warrants - Private Yield Securities	Warrants - Private Yield Securities	Contributed Surplus	Convertible debentures	Total Capital	Non-Controlling Interests	Deficit	Total Equity
		\$		\$		\$		\$		\$	\$	\$	\$	\$	\$	\$
Balance at January 1, 2016	8,359	17,609	10,488	102,120	88	570	27	23,922	27	1,887	2,124	-	148,232	27,447	(12,750)	162,929
Preferred securities and common shares cancelled	(41)	(251)	(25)	(148)	-	-	-	-	-	-	-	-	(399)	-	-	(399)
Restricted security unit purchases	-	(385)	-	-	-	-	-	-	-	-	-	-	(385)	-	-	(385)
Restricted security unit issuances	28	880	14	189	-	-	-	-	-	-	-	-	1,069	-	-	1,069
Contributions from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	26	-	26
Distributions to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,068)	-	(2,068)
Dividends declared on preferred securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(5,268)	(5,268)
Dividends declared on series "A" shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(44)	(44)
Dividends declared on common shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,726)	(1,726)
Distributions declared on private yield securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,227)	(1,227)
Equity-based compensation	-	-	-	-	-	-	-	-	-	-	(1,002)	-	(1,002)	-	-	(1,002)
Net income and comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-	2,226	4,205	6,431
Balance at June 30, 2016	8,346	17,853	10,477	102,161	88	570	27	23,922	27	1,887	1,122	-	147,515	27,631	(16,810)	158,336
<b>Balance at January 1, 2017</b>	<b>8,346</b>	<b>17,853</b>	<b>10,477</b>	<b>102,161</b>	<b>88</b>	<b>570</b>	<b>27</b>	<b>23,922</b>	<b>27</b>	<b>1,887</b>	<b>1,652</b>	<b>1,164</b>	<b>149,209</b>	<b>43,051</b>	<b>(23,757)</b>	<b>168,503</b>
Redemptions and retractions	15	-	(10,477)	(102,161)	(88)	(570)	(27)	(23,922)	(27)	(1,887)	-	-	(128,540)	-	(3,626)	(132,166)
Issue of 6% preferred securities	15	-	10,000	82,672	-	-	-	-	-	-	-	-	82,672	-	-	82,672
Issue of common shares	15	1,550	15,193	-	-	-	-	-	-	-	-	-	15,193	-	-	15,193
Convertible debenture conversions	13	278	2,270	-	-	-	-	-	-	-	-	(156)	2,114	-	-	2,114
Deferred tax adjustment	-	-	-	-	-	-	-	-	-	-	-	(194)	(194)	-	-	(194)
Restricted security unit purchases	(30)	(300)	-	-	-	-	-	-	-	-	-	-	(300)	-	-	(300)
Restricted security unit issuances	12	68	-	-	-	-	-	-	-	-	-	-	68	-	-	68
Exercise of common share options	117	515	-	-	-	-	-	-	-	-	-	-	515	-	-	515
Security transaction costs	-	(756)	-	(277)	-	-	-	-	-	-	-	-	(1,033)	-	-	(1,033)
Contributions from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	48	-	48
Non-controlling interest acquisition	-	-	-	-	-	-	-	-	-	-	-	-	-	5,808	-	5,808
Distributions to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,158)	-	(2,158)
Dividends declared on 10% preferred securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,148)	(1,148)
Dividends declared on 6% preferred securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,564)	(2,564)
Dividends declared on common shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,204)	(2,204)
Distributions declared on private yield securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(269)	(269)
Equity-based compensation	-	-	-	-	-	-	-	-	-	-	(170)	-	(170)	-	-	(170)
Net income and comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-	2,038	6,575	8,613
<b>Balance at June 30, 2017</b>	<b>10,273</b>	<b>34,843</b>	<b>10,000</b>	<b>82,395</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,482</b>	<b>814</b>	<b>119,534</b>	<b>48,787</b>	<b>(26,993)</b>	<b>141,328</b>

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)*

	Notes	Three months ended Jun 30,		Six months ended Jun 30,	
		2017	2016	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Income for the period attributable to equity holders		\$ 6,515	\$ 2,201	\$ 6,575	\$ 4,205
Adjustments for:					
Amortization of income producing properties		48	48	97	97
Amortization of property, plant & equipment		1,636	983	3,053	1,923
Amortization of intangible assets		1,612	688	3,143	1,374
Accretion expense		202	-	251	-
Amortization of borrowing costs		81	-	81	-
Gain (loss) on sale of property, plant & equipment		(40)	30	89	1
Equity-based compensation		422	223	217	325
Share of joint venture income		(44)	(240)	(228)	(187)
Change in fair value of common share purchase warrants		(6,804)	-	(5,941)	-
Foreign exchange loss		41	-	45	-
Deferred income tax recovery		(1,058)	-	(1,552)	(183)
Non-controlling interests		1,088	1,346	2,038	2,226
Cash provided prior to changes in non-cash working capital		3,699	5,279	7,868	9,781
Changes in non-cash working capital	21	(1,790)	(8,912)	(7,381)	(8,346)
<b>Net cash (used in) provided by operating activities</b>		<b>\$ 1,909</b>	<b>\$ (3,633)</b>	<b>\$ 487</b>	<b>\$ 1,435</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of intangible assets		(201)	(7)	(246)	(11)
Business combination	5	(14,000)	-	(14,000)	-
Purchase of property, plant & equipment		(2,209)	(788)	(3,558)	(1,368)
Distributions received from joint venture		335	-	633	-
Proceeds on disposal of property, plant & equipment		102	123	203	213
Employee share purchase plan		60	(9)	81	58
<b>Net cash used in investing activities</b>		<b>(15,913)</b>	<b>(681)</b>	<b>(16,887)</b>	<b>(1,108)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from operating loans		1,025	140	1,025	140
Repayment of operating loans		(29)	-	(58)	-
Proceeds from credit facility	10	18,800	-	18,800	-
Repayment of credit facility	10	(2,000)	-	(26,500)	-
Repayment of notes payable		(4,700)	(1,288)	(6,547)	(2,548)
Proceeds received from issuance of 5% debentures	12	-	-	50,000	-
Proceeds from subscription privileges	15	-	-	15,193	-
Exercise of stock options		477	-	477	-
Restricted security unit purchases		-	(90)	(300)	(385)
Dividends paid to common shareholders		(1,111)	(863)	(2,204)	(1,726)
Proceeds received from issuance of 6% preferred securities	15	-	-	100,000	-
Dividends paid to 6% preferred security holders		-	-	(1,068)	-
Redemption of 10% preferred securities	15	-	-	(105,894)	-
Dividends paid to 10% preferred security holders		-	(2,074)	(1,833)	(4,122)
Dividends paid to 10% preferred security holders for DRIP		-	(570)	(189)	(1,146)
Redemption of series "A" shares	15	-	-	(893)	-
Dividends paid to series "A" shareholders		-	(22)	(7)	(44)
Retraction of private yield securities	15	-	-	(26,789)	-
Distributions paid to private yield security holders		-	(614)	(473)	(1,227)
Distributions paid to non-controlling interests		(1,546)	(1,206)	(2,158)	(2,068)
Security transaction costs		(129)	-	(1,269)	-
Security deposits		-	-	(15)	-
<b>Net cash provided by (used in) financing activities</b>		<b>10,787</b>	<b>(6,587)</b>	<b>9,298</b>	<b>(13,126)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(3,217)</b>	<b>(10,901)</b>	<b>(7,102)</b>	<b>(12,799)</b>
Cash and cash equivalents, beginning of period		21,053	37,956	24,938	39,854
<b>Cash and cash equivalents, end of period</b>		<b>\$ 17,836</b>	<b>\$ 27,055</b>	<b>\$ 17,836</b>	<b>\$ 27,055</b>
<b>Supplementary cash flow information:</b>					
Interest received		\$ 22	\$ 94	\$ 61	\$ 183
Interest paid		1,459	116	2,123	248
Income taxes paid		\$ 53	\$ 330	\$ 107	\$ 660

See accompanying notes to the condensed interim consolidated financial statements.

**Mosaic Capital Corporation**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the Three and Six Months Ended June 30, 2017 and 2016**  
*(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 – 4<sup>th</sup> 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 in four business segments: Infrastructure, Energy, Diversified and Real Estate.

As at June 30, 2017, Mosaic owns and controls the following significant subsidiaries through which it conducts operations:

<b>Significant Subsidiaries</b>	Ownership interest	
	<b>Jun 30, 2017</b>	Dec 31, 2016
Printing Unlimited L.P. (" <b>Printing Unlimited</b> ")	100.00%	100.00%
Allied Catholic Services L.P. (" <b>Allied Catholic</b> ")	80.00%	80.00%
Remote Waste L.P. (" <b>Remote Waste</b> ")	94.90%	95.40%
Ambassador Mechanical L.P. (" <b>Ambassador</b> ")	75.00%	75.00%
Kendall's Supply Ltd. (" <b>Kendall's Supply</b> ")	89.00%	89.00%
Industrial Scaffold Services L.P. (" <b>Industrial Scaffold</b> ")	67.50%	67.50%
Place-Crete Systems L.P. (" <b>Place-Crete</b> ")	75.00%	75.00%
South East Construction L.P. (" <b>SECLP</b> ")	75.00%	75.00%
Mackow Industries L.P. (" <b>Mackow</b> ")	80.00%	80.00%
Bassi Construction L.P. (" <b>Bassi</b> ")	70.00%	70.00%
Cedar Infrastructure Products L.P. (" <b>Cedar</b> ")	75.00%	-
First West Properties L.P. (" <b>FWPLP</b> ")	100.00%	100.00%

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.

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 unaudited condensed interim consolidated financial statements ("**Interim Financial Statements**") have been prepared in accordance with International Accounting Standards ("**IAS**") 34 Interim Financial Reporting and include the accounts of Mosaic and its subsidiaries. All intercompany balances and transactions including revenue and expenses were eliminated. They do not include all information required for annual financial statements and should, therefore, be read in conjunction with the audited consolidated financial statements of the Company as at and for the year ended December 31, 2016 and 2015.

The Interim Financial Statements were approved by the board of directors of Mosaic on August 14, 2017.

**Mosaic Capital Corporation**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the Three and Six Months Ended June 30, 2017 and 2016**

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

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b. Basis of measurement

The Interim Financial Statements have been prepared on a going-concern basis, using the historical cost convention, except as otherwise noted.

c. Functional and presentation currency

The Canadian dollar is the Company's functional currency and as such, the Interim Financial Statements are presented in Canadian dollars.

d. Use of estimates and judgments

The preparation of the 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 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*

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 is currently assessing the effect of IFRS 9 on its financial results and financial position.

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 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. Additionally, management continues to monitor international developments of the standard as a component of our impact evaluation.

**Mosaic Capital Corporation**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the Three and Six Months Ended June 30, 2017 and 2016**  
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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 12) and 6% Preferred Securities (Note 15) 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 14) are measured at fair value using Level 3 inputs.

	Level 2	Level 3
<b>Balance at January 1, 2017</b>	\$ -	\$ 3,135
Liability on issuance of 5% debentures	46,633	-
Accretion recognized on 5% debentures	251	-
Derivative liability on issuance of warrants	-	20,555
Change in fair value of warrants	-	5,941
Contingent consideration on business combination	-	262
<b>Balance at June 30, 2017</b>	<b>\$ 46,884</b>	<b>\$ 29,893</b>

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.



**Mosaic Capital Corporation**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the Three and Six Months Ended June 30, 2017 and 2016**  
*(Unaudited) (in thousands of Canadian dollars, except for per share amounts)*

**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**"). The remaining 25% was retained by its founders. 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. Cedar is classified as part of the Infrastructure reporting segment.

A portion of the purchase price is contingent upon the results of operations of Cedar meeting or exceeding specified targets for each of the next three years after the acquisition date with a maximum consideration payable of \$700 each in the first two years and \$100 in the third year. 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 of the date of approval of the Interim Financial Statements. As a result, these preliminary allocations are expected to change and the changes may be material.

<b>Fair value of net assets acquired</b>	
Working capital	\$ 4,671
Property, plant and equipment	585
Deferred tax liability	(601)
Intangibles	8,900
Goodwill	10,819
Non-controlling interests	(5,808)
<b>Net assets acquired</b>	<b>\$ 18,566</b>
The goodwill is deductible for income tax purposes	
<b>Consideration given</b>	
Cash	\$ 14,000
Vendor take back loan	4,333
Contingent consideration	262
Working capital adjustment	(29)
<b>Total consideration</b>	<b>\$ 18,566</b>

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**6. 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 Jun 30,		Six months ended Jun 30,	
	2017	2016	2017	2016
Earned revenue on projects to date (included in revenue)	\$ 39,349	\$ 33,999	\$ 79,296	\$ 63,735
Less: billings on projects to date	(43,685)	(37,957)	(83,632)	(67,693)
<b>Net financial position</b>	<b>\$ (4,336)</b>	<b>\$ (3,958)</b>	<b>\$ (4,336)</b>	<b>\$ (3,958)</b>
	As at Jun 30,			
Reported as:			2017	2016
Costs in excess of billings (inventories)			\$ 854	\$ 902
Deferred contract revenue			(5,190)	(4,860)
			<b>\$ (4,336)</b>	<b>\$ (3,958)</b>

Work in progress is included in inventories.

Statement of income amounts related to these contracts are as follows:

	Three months ended Jun 30,		Six months ended Jun 30,	
	2017	2016	2017	2016
Contract revenue (included in revenue)	\$ 39,349	\$ 33,999	\$ 79,296	\$ 63,735
Contract expense (included in operating expenses)	(32,669)	(22,502)	(64,031)	(49,143)
<b>Contract profit</b>	<b>\$ 6,680</b>	<b>\$ 11,497</b>	<b>\$ 15,265</b>	<b>\$ 14,592</b>

**7. PROPERTY, PLANT & EQUIPMENT**

	Motor Vehicles	Buildings	Computer Equipment	Production and Rental equipment	Furniture and Fixtures	Parts Inventory	Leasehold Improvements	Total
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Cost</b>								
Balance at January 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 December 31, 2016	7,170	1,214	1,128	29,077	525	438	941	40,493
Acquisitions	293	-	55	94	91	-	52	585
Additions	2,249	793	129	7,106	60	-	210	10,547
Disposals	(418)	-	(31)	(313)	(1)	-	-	(763)
<b>Balance at June 30, 2017</b>	<b>9,294</b>	<b>2,007</b>	<b>1,281</b>	<b>35,964</b>	<b>675</b>	<b>438</b>	<b>1,203</b>	<b>50,862</b>
<b>Accumulated amortization</b>								
Balance at January 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 December 31, 2016	3,269	8	588	8,907	229	373	284	13,658
Amortization	748	25	90	2,063	54	13	60	3,053
Disposals	(395)	-	(20)	(111)	(2)	-	-	(528)
<b>Balance at June 30, 2017</b>	<b>3,622</b>	<b>33</b>	<b>658</b>	<b>10,859</b>	<b>281</b>	<b>386</b>	<b>344</b>	<b>16,183</b>
<b>Carrying value</b>								
At December 31, 2016	3,901	1,206	540	20,170	296	65	657	26,835
<b>At June 30, 2017</b>	<b>5,672</b>	<b>1,974</b>	<b>623</b>	<b>25,105</b>	<b>394</b>	<b>52</b>	<b>859</b>	<b>34,679</b>

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**8. GOODWILL AND OTHER INTANGIBLE ASSETS**

	Goodwill	Workforce	Trade Name	Customer Relationships	Backlog	Employment Agreements	Non-competes Agreements	Computer Software	Development Costs	Step up leases	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Cost</b>											
Balance at January 1, 2016	38,952	-	4,499	33,243	2,397	699	2,209	170	-	82	82,251
Acquisitions	-	-	-	-	-	-	-	-	-	-	-
Acquisitions	32,941	4,710	5,400	26,300	1,600	-	930	2	-	-	71,883
Additions	-	-	-	-	-	-	-	28	-	-	28
Disposals	-	-	-	-	-	-	-	-	-	(36)	(36)
Impairment	(5,391)	-	-	(3,021)	-	(61)	-	-	-	-	(8,473)
Balance at December 31, 2016	66,502	4,710	9,899	56,522	3,997	638	3,139	200	-	46	145,653
Acquisitions	10,819	400	1,800	6,300	-	-	400	-	-	-	19,719
Additions	-	-	-	-	-	-	-	61	185	-	246
Disposals	-	-	-	-	-	-	-	-	-	(28)	(28)
Fully amortized assets derecognized	-	-	-	-	(665)	-	-	(78)	-	-	(743)
<b>Balance at June 30, 2017</b>	<b>77,321</b>	<b>5,110</b>	<b>11,699</b>	<b>62,822</b>	<b>3,332</b>	<b>638</b>	<b>3,539</b>	<b>183</b>	<b>185</b>	<b>18</b>	<b>164,847</b>
<b>Accumulated amortization</b>											
Balance at January 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 December 31, 2016	-	-	-	10,537	2,514	312	1,344	207	-	-	14,914
Amortization	-	-	-	1,967	800	28	313	35	-	-	3,143
Fully amortized assets derecognized	-	-	-	-	(665)	-	-	(78)	-	-	(743)
<b>Balance at June 30, 2017</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,504</b>	<b>2,649</b>	<b>340</b>	<b>1,657</b>	<b>164</b>	<b>-</b>	<b>-</b>	<b>17,314</b>
<b>Carrying value</b>											
At December 31, 2016	66,502	4,710	9,899	45,985	1,483	326	1,795	(7)	-	46	130,739
<b>At June 30, 2017</b>	<b>77,321</b>	<b>5,110</b>	<b>11,699</b>	<b>50,318</b>	<b>683</b>	<b>298</b>	<b>1,882</b>	<b>19</b>	<b>185</b>	<b>18</b>	<b>147,533</b>

**9. OPERATING LOANS**

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

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**10. 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<sup>(1)</sup> to Gross EBITDA<sup>(5)</sup> not to exceed 3.00 : 1.00;
- (ii) Net Funded Debt<sup>(2)</sup> to EBITDA<sup>(3)</sup> not to exceed 3.00 : 1.00;
- (iii) Fixed Charge Coverage Ratio (EBITDA divided by Fixed Charges<sup>(4)</sup>) to be not less than 1.10 : 1.00
- (iv) Specified subsidiaries’ aggregate net funded debt to subsidiaries’ aggregate Gross EBITDA not to exceed 0.50 : 1.00.

As at June 30, 2017, Mosaic’s compliance with these covenants is as follows:

	Covenant	As Calculated	Compliant
Consolidated: Net funded debt : EBITDA	< 3.00	1.89	Yes
Consolidated: Total Debt : Gross EBITDA	< 3.00	1.82	Yes
Consolidated: Fixed Charge Coverage Ratio	> 1.10	1.32	Yes
Subsidiary net funded debt : Subsidiary EBITDA	< 0.50	0.39	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) Net Funded Debt is Total Debt minus net cash balances.

(3) EBITDA defined as Mosaic’s share of consolidated adjusted earnings before interest, taxes, depreciation and amortization, minus portion attributable to minority interests.

(4) 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

(5) Gross EBITDA is EBITDA including portion attributable to minority interests. EBITDA is defined as earnings before interest, taxes, depreciation and amortization.

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**11. NOTES PAYABLE**

	Jun 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.	\$ 5,154	\$ 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.	3,000	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 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 Place-Crete.	357	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.	317	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.	4,333	-
Promissory note of \$425 related to the acquisition of AAA. The loan bears interest at 5% per annum, with quarterly payments of \$30 plus accrued and unpaid interest until January 1, 2019. The remaining balance outstanding at January 1, 2019 will be payable in equal quarterly amounts plus accrued and unpaid 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.	395	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.	1,670	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.	433	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.	7,344	2,152
	<b>23,003</b>	<b>18,228</b>
Less: Current portion	<b>(5,677)</b>	<b>(8,745)</b>
	<b>\$ 17,326</b>	<b>\$ 9,483</b>

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**12. 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.

The 5% Debentures are a financial instrument and were recorded at fair value upon issue. Mosaic used a discount rate of 6.3% in arriving at the fair value of \$46,633, net of transaction costs.

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 June 30, 2017.

**13. CONVERTIBLE DEBENTURES**

During the six months ended June 30, 2017, the holders of the convertible debentures converted 2,502,000 convertible debentures into 277,988 Mosaic common shares.

<b>Debt component</b>	
December 31, 2015	\$ -
Issuance, net of transaction costs	13,110
Amortization of transaction costs	22
Accretion	30
December 31, 2016	13,162
Amortization of transaction costs	69
Accretion	94
Conversion to common shares	(2,116)
<b>June 30, 2017</b>	<b>\$ 11,209</b>
<b>Equity component</b>	
December 31, 2015	\$ -
Issuance, net of allocated transaction costs and deferred tax	1,164
December 31, 2016	1,164
Deferred tax adjustment	(194)
Conversion to common shares	(156)
<b>June 30, 2017</b>	<b>\$ 814</b>

The amount paid for interest related to the convertible debentures as of June 30, 2017 was \$587 (June 30, 2016 - \$nil).

**14. 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,

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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 June 30, 2017, the Company used an option pricing model with the following assumptions: weighted average volatility rate of 30%; risk-free interest rate of 1.50%; liquidity discount of 20%; and expected life of 6.6 years. The liquidity discount involves significant management judgment and is an unobservable input which is categorized within Level 3 of the fair value hierarchy.

## 15. EQUITY

### (i) Preferred securities

#### a) 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.

#### 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) 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.

### (ii) 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.

### (iii) 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.

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**16. EARNINGS PER SHARE ("EPS")**

EPS is calculated as follows:

	Three months ended Jun 30,		Six months ended Jun 30,	
	2017	2016	2017	2016
<b>Net income and comprehensive income</b>	<b>\$ 7,603</b>	\$ 3,547	<b>\$ 8,613</b>	\$ 6,431
Less: Non-controlling interests	(1,088)	(1,346)	(2,038)	(2,226)
Less: 10% Preferred security dividends declared	-	(2,648)	(1,148)	(5,268)
Less: 6% Preferred security dividends declared	(1,496)	-	(2,564)	-
Less: Private yield securities distributions declared	-	(614)	(269)	(1,227)
Less: Series "A" share dividends declared	-	(22)	-	(44)
<b>Net income (loss) from continuing operations for common shareholders - Basic</b>	<b>\$ 5,019</b>	\$ (1,083)	<b>\$ 2,594</b>	\$ (2,334)
Effect of dilutive securities	310	-	(5,941)	-
<b>Net income (loss) from continuing operations for common shareholders - Diluted</b>	<b>\$ 5,329</b>	\$ (1,083)	<b>\$ (3,347)</b>	\$ (2,334)
Weighted average number of common shares - Basic	10,252	8,334	9,597	8,347
Average number of shares for options	287	-	342	-
Average number of shares for RSUs	274	-	281	-
Average number of warrants	-	-	734	-
Average number of common shares issuable upon convertible debentures conversion	1,459	-	-	-
Weighted average number of common shares - Diluted	12,272	8,334	10,954	8,347
<b>Basic EPS</b>	<b>\$ 0.49</b>	\$ (0.13)	<b>\$ 0.27</b>	\$ (0.28)
<b>Diluted EPS</b>	<b>\$ 0.43</b>	\$ (0.13)	<b>\$ (0.31)</b>	\$ (0.28)

For the three months ended June 30, 2017, the Company excluded 231,592 stock options, 67,744 RSUs and 17,026,106 warrants as their inclusion would be anti-dilutive. For the six months ended June 30, 2017, the Company excluded 231,592 stock options, 65,012 RSUs and the common shares issuable upon conversion of convertible debentures as their inclusion would be anti-dilutive. For the three and six months ended June 30, 2016, the Company excluded all dilutive instruments as their inclusion would be anti-dilutive.

A quarterly dividend of \$0.105 per common share was paid on March 31, 2017 (March 31, 2016 - \$0.10). A monthly dividend of \$0.035 per common share was paid on April 28, 2017, May 31, 2017 and June 30, 2017 respectively (June 30, 2016 – quarterly dividend of \$0.10).

**17. 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. The Company's chief operating decision maker is a group of executive directors and a director at large.

Mosaic has four reportable business segments:

- Infrastructure consists of the business operations conducted through Ambassador, Place-Crete, SECLP, Bassi and Cedar.
- Energy consists of the business operations conducted through Allied Cathodic and Remote Waste.
- Diversified consists of the business operations conducted 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.



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"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.

Segmented Statement of Financial Position

As at June 30, 2017	Infrastructure	Energy	Diversified	Real Estate	Corporate	Consolidated
ASSETS	\$	\$	\$	\$	\$	\$
Current assets						
Cash and cash equivalents	7,928	1,510	1,830	248	6,320	17,836
Accounts receivable	58,012	2,691	16,877	58	324	77,962
Inventories	8,085	724	3,915	-	-	12,724
Deposits and prepaid expenses	529	98	248	31	161	1,067
Income taxes recoverable	(1)	-	708	-	-	707
	74,553	5,023	23,578	337	6,805	110,296
Non-current assets						
Property held for development	-	-	-	425	-	425
Income-producing properties	-	-	-	11,586	-	11,586
Loan receivable	35	(1,466)	25	-	1,661	255
Investment in joint venture	-	-	-	3,090	-	3,090
Property, plant and equipment	12,121	8,237	14,229	-	92	34,679
Employee share purchase plan	-	-	-	-	120	120
Goodwill and other intangible assets	79,606	4,904	46,609	16	16,398	147,533
Investments	-	-	4,009	-	(4,009)	-
	91,762	11,675	64,872	15,117	14,262	197,688
<b>Total assets</b>	<b>166,315</b>	<b>16,698</b>	<b>88,450</b>	<b>15,454</b>	<b>21,067</b>	<b>307,984</b>
<b>LIABILITIES AND EQUITY</b>						
Liabilities						
Operating loans	-	-	1,025	2,153	-	3,178
Accounts payable and accrued liabilities	27,616	1,001	8,373	15	1,005	38,010
Dividends payable	-	-	-	-	1,496	1,496
Deferred contract revenue	5,190	-	-	-	-	5,190
Credit facility	-	-	-	-	-	-
Current portion of contingent consideration	395	-	838	-	-	1,233
Current portion of notes payable	1,025	402	2,012	18	2,220	5,677
Due to (from) inter-company	4	491	4,190	(11,497)	6,812	-
	34,230	1,894	16,438	(9,311)	11,533	54,784
Non-current liabilities						
Credit facility	-	-	-	-	16,582	16,582
Contingent consideration	1,461	-	703	-	-	2,164
Notes payable	(1,577)	1,069	3,925	415	13,494	17,326
5% Debentures	-	-	-	-	46,800	46,800
Convertible debentures	-	-	-	-	11,209	11,209
Common share purchase warrants	-	-	-	-	14,614	14,614
Deferred income tax liability	4,151	836	7,323	448	(9,613)	3,145
Security deposits	-	-	-	32	-	32
	4,035	1,905	11,951	895	93,086	111,872
<b>Total liabilities</b>	<b>38,265</b>	<b>3,799</b>	<b>28,389</b>	<b>(8,416)</b>	<b>104,619</b>	<b>166,656</b>
<b>Equity</b>						
Common shares	10,567	-	110,763	17,697	(104,184)	34,843
10% preferred securities	-	-	-	-	-	-
6% preferred securities	-	-	-	-	82,395	82,395
Series "A" shares	-	-	-	-	-	-
Private yield securities	-	-	-	-	-	-
Warrants - private yield securities	-	-	-	-	-	-
Preferred trust units	-	-	32,877	-	(32,877)	-
Contributed surplus	-	-	-	(958)	2,440	1,482
Convertible debentures	-	-	-	-	814	814
Non-controlling interests	33,461	(252)	15,578	-	-	48,787
Deficit	84,022	13,151	(99,157)	7,131	(32,140)	(26,993)
<b>Total equity</b>	<b>128,050</b>	<b>12,899</b>	<b>60,061</b>	<b>23,870</b>	<b>(83,552)</b>	<b>141,328</b>
<b>Total liabilities and equity</b>	<b>166,315</b>	<b>16,698</b>	<b>88,450</b>	<b>15,454</b>	<b>21,067</b>	<b>307,984</b>

**Mosaic Capital Corporation**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
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*(Unaudited) (in thousands of Canadian dollars, except for per share amounts)*

**Segmented Statement of Financial Position**

As at December 31, 2016	Infrastructure	Energy	Diversified	Real Estate	Corporate	Consolidated
ASSETS	\$	\$	\$	\$	\$	\$
<b>Current assets</b>						
Cash and cash equivalents	14,241	893	7,396	578	1,830	24,938
Accounts receivable	54,781	2,525	9,396	30	222	66,954
Inventories	4,250	541	2,824	-	-	7,615
Deposits and prepaid expenses	599	151	597	5	466	1,818
Income taxes recoverable	(245)	-	739	-	-	494
	73,626	4,110	20,952	613	2,518	101,819
<b>Non-current assets</b>						
Property held for development	-	-	-	985	-	985
Income-producing properties	-	-	-	11,683	-	11,683
Loan receivable	(34)	(985)	35	-	1,157	173
Investment in joint venture	-	-	-	3,495	-	3,495
Property, plant and equipment	10,962	7,750	8,059	-	64	26,835
Employee share purchase plan	-	-	-	-	201	201
Goodwill and other intangible assets	61,590	5,089	47,625	45	16,390	130,739
Investments	-	-	4,336	-	(4,336)	-
	72,518	11,854	60,055	16,208	13,476	174,111
<b>Total assets</b>	<b>146,144</b>	<b>15,964</b>	<b>81,007</b>	<b>16,821</b>	<b>15,994</b>	<b>275,930</b>
<b>LIABILITIES AND EQUITY</b>						
<b>Liabilities</b>						
Operating loans	-	-	-	2,211	-	2,211
Accounts payable and accrued liabilities	30,335	794	3,796	62	1,713	36,700
Dividends payable	-	-	-	-	1,085	1,085
Deferred contract revenue	4,457	-	-	-	-	4,457
Credit facility	-	-	-	-	24,500	24,500
Current portion of contingent consideration	133	-	838	-	-	971
Current portion of notes payable	3,866	164	2,532	16	2,167	8,745
Due to (from) inter-company	4	(8)	3,595	(11,527)	7,936	-
	38,795	950	10,761	(9,238)	37,401	78,669
<b>Non-current liabilities</b>						
Credit facility	-	-	-	-	-	-
Contingent consideration	1,461	-	703	-	-	2,164
Notes payable	449	338	653	426	7,617	9,483
5% Debentures	-	-	-	-	-	-
Convertible debentures	-	-	-	-	13,162	13,162
Common share purchase warrants	-	-	-	-	-	-
Deferred income tax liability	3,775	537	8,308	435	(9,153)	3,902
Security deposits	-	-	-	47	-	47
	5,685	875	9,664	908	11,626	28,758
<b>Total liabilities</b>	<b>44,480</b>	<b>1,825</b>	<b>20,425</b>	<b>(8,330)</b>	<b>49,027</b>	<b>107,427</b>
<b>Equity</b>						
Common shares	3,568	-	101,106	18,864	(105,685)	17,853
10% preferred securities	-	-	-	-	102,161	102,161
6% preferred securities	-	-	-	-	-	-
Series "A" shares	-	-	-	-	570	570
Private yield securities	-	-	-	-	23,922	23,922
Warrants - private yield securities	-	-	-	-	1,887	1,887
Preferred trust units	-	-	32,877	-	(32,877)	-
Contributed surplus	-	-	-	(958)	2,610	1,652
Convertible debentures	-	-	-	-	1,164	1,164
Non-controlling interests	27,767	(175)	15,459	-	-	43,051
Deficit	70,329	14,314	(88,860)	7,245	(26,785)	(23,757)
<b>Total equity</b>	<b>101,664</b>	<b>14,139</b>	<b>60,582</b>	<b>25,151</b>	<b>(33,033)</b>	<b>168,503</b>
<b>Total liabilities and equity</b>	<b>146,144</b>	<b>15,964</b>	<b>81,007</b>	<b>16,821</b>	<b>15,994</b>	<b>275,930</b>

**Mosaic Capital Corporation**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the Three and Six Months Ended June 30, 2017 and 2016**  
*(Unaudited) (in thousands of Canadian dollars, except for per share amounts)*

**Segmented Statement of Operations**

At June 30, 2017	Infrastructure		Energy		Diversified	
	Three months ended	Six months ended	Three months ended	Six months ended	Three months ended	Six months ended
	\$	\$	\$	\$	\$	\$
<b>REVENUE</b>	43,248	83,195	2,676	5,186	23,677	39,163
<b>OPERATING EXPENSES</b>	40,923	77,362	2,411	4,352	18,826	31,154
	2,325	5,833	265	834	4,851	8,009
<b>EXPENSES</b>						
Amortization of income producing properties	-	-	-	-	-	-
Amortization of property, plant & equipment	679	1,290	412	796	539	955
Amortization of intangible assets	893	1,707	93	185	619	1,240
Loss (gain) on sale of equipment	8	22	(7)	(15)	(17)	106
Equity-based compensation	-	-	-	-	-	-
	1,580	3,019	498	966	1,141	2,301
Operating income	745	2,814	(233)	(132)	3,710	5,708
Net finance costs	47	77	31	57	27	63
Foreign exchange loss	(15)	(15)	-	-	56	60
Share of joint venture income	-	-	-	-	-	-
Costs of unsuccessful financing	-	-	-	-	-	-
Income (loss) before change in fair value of derivatives and income taxes	713	2,752	(264)	(189)	3,627	5,585
Change in fair value of common share purchase warrants	-	-	-	-	-	-
Income before tax	713	2,752	(264)	(189)	3,627	5,585
Provision for income tax						
Current (recovery)	-	-	-	-	100	141
Deferred (reduction)	(548)	(225)	267	300	(846)	(984)
	(548)	(225)	267	300	(846)	(984)
<b>Net income (loss) and comprehensive income (loss)</b>	1,261	2,977	(531)	(489)	4,373	6,428
Net Income (loss) and comprehensive income (loss) attributable to:						
Equity holders of Mosaic Capital Corporation	1,117	2,229	(569)	(524)	3,467	5,173
Non-controlling interests	144	748	38	35	906	1,255
	1,261	2,977	(531)	(489)	4,373	6,428

At June 30, 2017	Real Estate		Corporate		Consolidated	
	Three months ended	Six months ended	Three months ended	Six months ended	Three months ended	Six months ended
	\$	\$	\$	\$	\$	\$
<b>REVENUE</b>	125	291	-	-	69,726	127,835
<b>OPERATING EXPENSES</b>	293	497	2,305	4,308	64,758	117,673
	(168)	(206)	(2,305)	(4,308)	4,968	10,162
<b>EXPENSES</b>						
Amortization of income producing properties	48	97	-	-	48	97
Amortization of property, plant & equipment	-	-	6	12	1,636	3,053
Amortization of intangible assets	-	-	7	11	1,612	3,143
Loss (gain) on sale of equipment	(24)	(24)	-	-	(40)	89
Equity-based compensation	-	-	422	217	422	217
	24	73	435	240	3,678	6,599
Operating income	(192)	(279)	(2,740)	(4,548)	1,290	3,563
Net finance costs	26	52	1,230	2,145	1,361	2,394
Foreign exchange loss	-	-	-	-	41	45
Share of joint venture income	(44)	(228)	-	-	(44)	(228)
Costs of unsuccessful financing	-	-	91	91	91	91
Income (loss) before change in fair value of derivatives and income taxes	(174)	(103)	(4,061)	(6,784)	(159)	1,261
Change in fair value of common share purchase warrants	-	-	6,804	5,941	6,804	5,941
Income before tax	(174)	(103)	2,743	(843)	6,645	7,202
Provision for income tax						
Current (recovery)	-	-	-	-	100	141
Deferred (reduction)	6	12	63	(655)	(1,058)	(1,552)
	6	12	63	(655)	(958)	(1,411)
<b>Net income (loss) and comprehensive income (loss)</b>	(180)	(115)	2,680	(188)	7,603	8,613
Net Income (loss) and comprehensive income (loss) attributable to:						
Equity holders of Mosaic Capital Corporation	(180)	(115)	2,680	(188)	6,515	6,575
Non-controlling interests	-	-	-	-	1,088	2,038
	(180)	(115)	2,680	(188)	7,603	8,613

**Mosaic Capital Corporation**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the Three and Six Months Ended June 30, 2017 and 2016**  
*(Unaudited) (in thousands of Canadian dollars, except for per share amounts)*

**Segmented Statement of Operations**

At June 30, 2016	Infrastructure		Energy		Diversified	
	Three months ended	Six months ended	Three months ended	Six months ended	Three months ended	Six months ended
	\$	\$	\$	\$	\$	\$
<b>REVENUE</b>	34,140	65,019	1,624	3,340	12,216	19,570
<b>OPERATING EXPENSES</b>	30,424	56,645	1,328	2,857	9,870	16,316
	3,716	8,374	296	483	2,346	3,254
<b>EXPENSES</b>						
Amortization of income producing properties	-	-	-	-	-	-
Amortization of property, plant & equipment	570	1,127	167	324	241	462
Amortization of intangible assets	270	539	137	275	278	555
Loss (gain) on sale of equipment	34	28	-	(12)	(4)	(15)
Equity-based compensation	-	-	-	-	-	-
	874	1,694	304	587	515	1,002
Operating income	2,842	6,680	(8)	(104)	1,831	2,252
Net finance costs	(66)	(125)	19	52	58	127
Foreign exchange loss	-	-	-	-	-	-
Share of joint venture income	-	-	-	-	-	-
Costs of unsuccessful financing	-	-	-	-	-	-
Income (loss) before change in fair value of derivatives and income taxes	2,908	6,805	(27)	(156)	1,773	2,125
Change in fair value of common share purchase warrants	-	-	-	-	-	-
Income before taxes	2,908	6,805	(27)	(156)	1,773	2,125
Provision for income tax						
Current (recovery)	(237)	85	-	-	75	157
Deferred (reduction)	-	(1,945)	-	531	-	39
	(237)	(1,860)	-	531	75	196
<b>Net income (loss) and comprehensive income (loss)</b>	3,145	8,665	(27)	(687)	1,698	1,929
Net Income (loss) and comprehensive income (loss) attributable to:						
Equity holders of Mosaic Capital Corporation	2,347	6,982	(88)	(709)	1,211	1,408
Non-controlling interests	798	1,683	61	22	487	521
	3,145	8,665	(27)	(687)	1,698	1,929

At June 30, 2016	Real Estate		Corporate		Consolidated	
	Three months ended	Six months ended	Three months ended	Six months ended	Three months ended	Six months ended
	\$	\$	\$	\$	\$	\$
<b>REVENUE</b>	290	585	-	-	48,270	88,514
<b>OPERATING EXPENSES</b>	155	255	1,354	2,350	43,131	78,423
	135	330	(1,354)	(2,350)	5,139	10,091
<b>EXPENSES</b>						
Amortization of income producing properties	48	97	-	-	48	97
Amortization of property, plant & equipment	-	-	5	10	983	1,923
Amortization of intangible assets	-	-	3	5	688	1,374
Loss (gain) on sale of equipment	-	-	-	-	30	1
Equity-based compensation	-	-	223	325	223	325
	48	97	231	340	1,972	3,720
Operating income	87	233	(1,585)	(2,690)	3,167	6,371
Net finance costs	26	51	(15)	(40)	22	65
Foreign exchange loss	-	-	-	-	-	-
Share of joint venture income	(240)	(187)	-	-	(240)	(187)
Costs of unsuccessful financing	-	-	-	-	-	-
Income (loss) before change in fair value of derivatives and income taxes	301	369	(1,570)	(2,650)	3,385	6,493
Change in fair value of common share purchase warrants	-	-	-	-	-	-
Income before taxes	301	369	(1,570)	(2,650)	3,385	6,493
Provision for income tax						
Current (recovery)	-	3	-	-	(162)	245
Deferred (reduction)	-	15	-	1,177	-	(183)
	-	18	-	1,177	(162)	62
<b>Net income (loss) and comprehensive income (loss)</b>	301	351	(1,570)	(3,827)	3,547	6,431
Net Income (loss) and comprehensive income (loss) attributable to:						
Equity holders of Mosaic Capital Corporation	301	351	(1,570)	(3,827)	2,201	4,205
Non-controlling interests	-	-	-	-	1,346	2,226
	301	351	(1,570)	(3,827)	3,547	6,431

**Mosaic Capital Corporation**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
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*(Unaudited) (in thousands of Canadian dollars, except for per share amounts)*

**18. REVENUE**

	Three months ended Jun 30,		Six months ended Jun 30,	
	2017	2016	2017	2016
Contract revenue	\$39,349	\$ 33,999	\$ 79,296	\$ 63,735
Sale of goods	14,124	3,119	24,553	5,633
Rendering of services	16,128	10,863	23,695	18,562
Revenue related to income-producing properties	125	289	291	584
	<b>\$69,726</b>	<b>\$ 48,270</b>	<b>\$127,835</b>	<b>\$ 88,514</b>

**19. COMPENSATION**

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

	Three months ended Jun 30,		Six months ended Jun 30,	
	2017	2016	2017	2016
Salaries	\$ 6,972	\$ 4,401	\$ 13,716	\$ 8,348
Equity-based compensation	422	223	217	325
	<b>\$ 7,394</b>	<b>\$ 4,624</b>	<b>\$ 13,933</b>	<b>\$ 8,673</b>

**20. NET FINANCE COSTS**

	Three months ended Jun 30,		Six months ended June 30,	
	2017	2016	2017	2016
Interest:				
Expense	\$ 1,136	\$ 116	\$ 2,123	\$ 248
Income on cash and cash equivalents	(22)	(94)	(61)	(183)
Accretion expense on convertible debentures and 5% debentures	202	-	251	-
Amortization expense of debt issue costs	45	-	81	-
	<b>\$ 1,361</b>	<b>\$ 22</b>	<b>\$ 2,394</b>	<b>\$ 65</b>

**21. SUPPLEMENTAL CASH FLOW INFORMATION**

Changes in non-cash operating working capital:

	Three months ended Jun 30,		Six months ended Jun 30,	
	2017	2016	2017	2016
Accounts receivable	\$ (9,485)	\$ (9,979)	\$ (9,118)	\$ (6,050)
Inventories	(838)	(1,153)	(1,472)	(884)
Deposits and prepaid expenses	550	(71)	822	(573)
Accounts payable & accrued liabilities	6,657	2,024	1,867	(334)
Dividends payable	-	-	-	(2)
Income taxes recoverable	(199)	323	(213)	396
Deferred contract revenue	1,525	(56)	733	(899)
	<b>\$ (1,790)</b>	<b>\$ (8,912)</b>	<b>\$ (7,381)</b>	<b>\$ (8,346)</b>

**22. RELATED PARTY TRANSACTIONS**

Rent of \$526 for the three months ended June 30, 2017 (June 30, 2016 - \$198) and \$1,052 for the six months ended June 30, 2017 (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.

**Mosaic Capital Corporation**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
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*(Unaudited) (in thousands of Canadian dollars, except for per share amounts)*

Related party transactions are in the normal course of operations and are recorded at fair value.

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

**23. 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	\$ 1,989
2018	3,095
2019	3,095
2020	2,203
2021 and after	3,038
	<u>\$ 13,420</u>

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 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.