MOSAIC CAPITAL CORPORATION

Condensed Interim Consolidated Financial Statements (unaudited)

For the three and six months ended June 30, 2018 and 2017

"Growth through sustainable cash flow"

NOTICE OF NO AUDITORS' REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed interim consolidated financial statements of Mosaic Capital Corporation ("Mosaic" or the "Company") have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements.

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Mosaic Capital Corporation

Condensed Interim Consolidated Statements of Financial Position

(Unaudited) (in thousands of Canadian dollars)

As at		June 30, 2018		December 31, 2017
ASSETS				
Current assets:				
Cash and cash equivalents	$	**14,856**	$	9,400
Trade, accrued and other receivables		**77,155**		76,777
Accrued contract revenue *(note 8)*		**19,369**		17,286
Inventories		**12,116**		9,399
Deposits and prepaid expenses		**1,493**		1,386
Assets held for sale		**8,153**		8,115
		133,142		122,363
Non-current assets:				
Investment in joint venture		**2,185**		2,382
Property, plant and equipment *(note 6)*		**37,470**		37,816
Intangible assets *(note 7)*		**73,604**		80,734
Goodwill		**85,638**		85,638
Deferred income tax asset		**789**		-
TOTAL ASSETS	$	**332,828**	$	328,933
LIABILITIES AND EQUITY				
Liabilities				
Current liabilities:				
Operating loans *(note 9)*	$	**954**	$	-
Trade, accrued and other payables		**49,119**		41,755
Distributions payable		**1,496**		1,512
Income taxes payable		**1,359**		1,361
Deferred contract revenue *(note 8)*		**3,857**		3,603
Current portion of contingent consideration		**162**		625
Current portion of notes payable *(note 10)*		**6,743**		4,634
Liabilities associated with assets held for sale		**2,454**		2,521
		66,144		56,011
Non-current liabilities:				
Credit facility *(note 9)*		**29,616**		19,357
Contingent consideration		**1,183**		1,085
Notes payable *(note 10)*		**17,995**		15,158
Debentures		**47,210**		47,001
Convertible debentures		**11,622**		11,384
Common share purchase warrants *(note 11)*		**5,269**		15,792
Redeemable non-controlling interest		**19,522**		19,430
Non-controlling interest put options *(note 12)*		**13,600**		18,644
Deferred income tax liability		**-**		1,308
Total liabilities		**212,161**		205,170
Equity				
Common shares		**34,677**		35,052
Preferred securities		**82,395**		82,395
Contributed surplus		**2,148**		1,791
Convertible debentures		**827**		816
Retained earnings:				
Cumulative earnings		**51,785**		39,443
Cumulative dividends/distributions		**(98,930)**		(93,727)
Total equity		**72,902**		65,770
Non-controlling interests *(note 13)*		**47,765**		57,993
TOTAL LIABILITIES AND EQUITY	$	**332,828**	$	328,933

Commitments and contingent liabilities *(note 21)*

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 June 30,		Six months ended June 30,	
	2018	2017	**2018**	2017
REVENUE *(note 14)*	**$ 91,089**	$ 69,726	**$ 159,089**	$ 127,835
OPERATING EXPENSES	**84,948**	64,758	**151,165**	117,673
	6,141	4,968	**7,924**	10,162
EXPENSES				
Amortization of income producing properties	**-**	48	**-**	97
Amortization of property, plant and equipment	**1,976**	1,636	**3,883**	3,053
Amortization of intangible assets	**3,755**	1,612	**7,136**	3,143
(Gain) loss on sale of equipment	**(58)**	(40)	**(61)**	89
Equity-based compensation	**207**	422	**381**	217
	5,880	3,678	**11,339**	6,599
Operating income (loss)	**261**	1,290	**(3,415)**	3,563
Net finance costs *(note 16)*	**2,537**	1,361	**5,167**	2,394
Foreign exchange loss (gain)	**142**	41	**(87)**	45
Share of joint venture (income)	**(187)**	(44)	**(174)**	(228)
Other loss	**-**	91	**-**	91
(Loss) income before change in fair value and income taxes	**(2,231)**	(159)	**(8,321)**	1,261
Change in fair value *(note 17)*	**(1,540)**	(6,804)	**(11,765)**	(5,941)
(Loss) income before income taxes	**(691)**	6,645	**3,444**	7,202
Provision for income taxes:				
Current	**365**	100	**560**	141
Deferred reduction	**(223)**	(1,058)	**(2,097)**	(1,552)
	142	(958)	**(1,537)**	(1,411)
NET (LOSS) INCOME	**(833)**	7,603	**4,981**	8,613
Other comprehensive income:				
Cumulative translation adjustment	**(304)**	-	**(381)**	-
NET (LOSS) INCOME AND COMPREHENSIVE (LOSS) INCOME	**$ (529)**	$ 7,603	**$ 5,362**	$ 8,613
Net (loss) income and comprehensive (loss) income attributable to:				
Equity holders of Mosaic Capital Corporation	**$ (3,015)**	$ 5,019	**$ 3,697**	$ 2,594
Preferred dividends/distributions	**1,496**	1,496	**2,975**	3,981
Non-controlling interests *(note 13)*	**990**	1,088	**(1,310)**	2,038
	$ (529)	$ 7,603	**$ 5,362**	$ 8,613
(Loss) earnings per common share *(note 18)*:				
Basic	**$ (0.28)**	$ 0.48	**$ 0.35**	$ 0.26
Diluted	**$ (0.28)**	$ 0.42	**$ 0.33**	$ (0.11)

See accompanying notes to the condensed interim consolidated financial statements.

Mosaic Capital Corporation

Condensed Interim Consolidated Statements of Changes in Equity

(Unaudited) (in thousands of Canadian dollars)

	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 January 1, 2017	$ 17,853	$ 102,161	$ 570	$ 23,922	$ 1,887	$ 1,652	$ 1,164	$ 149,209	$ 54,761	$ (78,663)	$ 125,307
Redemptions and retractions	-	(102,161)	(570)	(23,922)	(1,887)	-	-	(128,540)	-	(3,626)	(132,166)
Issue of preferred securities	-	82,672	-	-	-	-	-	82,672	-	-	82,672
Issue of common shares	15,193	-	-	-	-	-	-	15,193	-	-	15,193
Convertible debenture conversions	2,271	-	-	-	-	-	(156)	2,115	-	-	2,115
Deferred tax adjustment	-	-	-	-	-	-	(194)	(194)	-	-	(194)
Restricted share unit purchase	(300)	-	-	-	-	-	-	(300)	-	-	(300)
Exercise of common share options	581	-	-	-	-	(183)	-	398	-	-	398
Security transaction costs	(755)	(277)	-	-	-	-	-	(1,032)	-	-	(1,032)
Distributions declared on preferred shares	-	-	-	-	-	-	-	-	-	(3,712)	(3,712)
Dividends declared on common shares	-	-	-	-	-	-	-	-	-	(2,204)	(2,204)
Distributions declared on private yield securities	-	-	-	-	-	-	-	-	-	(269)	(269)
Equity-based compensation	-	-	-	-	-	13	-	13	-	-	13
Net income and comprehensive income	-	-	-	-	-	-	-	-	6,575	-	6,575
Balance at June 30, 2017	$ 34,843	$ 82,395	$ -	$ -	$ -	$ 1,482	$ 814	$ 119,534	$ 61,336	$ (88,474)	$ 92,396
Balance at January 1, 2018	**$ 35,052**	**$ 82,395**	**$ -**	**$ -**	**$ -**	**$ 1,791**	**$ 816**	**$ 120,054**	**$ 39,443**	**$ (93,727)**	**$ 65,770**
Distributions declared on preferred shares	-	-	-	-	-	-	-	-	-	(2,975)	(2,975)
Dividends declared on common shares	-	-	-	-	-	-	-	-	-	(2,228)	(2,228)
Equity-based compensation	-	-	-	-	-	381	-	381	-	-	381
Amortization of issue costs	-	-	-	-	-	-	11	11	-	-	11
Restricted share unit purchase	(411)	-	-	-	-	-	-	(411)	-	-	(411)
Exercise of stock options	36	-	-	-	-	(24)	-	12	-	-	12
Settlement of non-controlling interest put option	-	-	-	-	-	-	-	-	5,670	-	5,670
Net income and comprehensive income	-	-	-	-	-	-	-	-	6,672	-	6,672
Balance at June 30, 2018	**$ 34,677**	**$ 82,395**	**$ -**	**$ -**	**$ -**	**$ 2,148**	**$ 827**	**$ 120,047**	**$ 51,785**	**$ (98,930)**	**$ 72,902**

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)

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	**2018**	2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Net (loss) income	**$ (529)**	$ 7,603	**$ 5,362**	$ 8,613
Adjustments for:				
Amortization of income producing properties	**-**	48	**-**	97
Amortization of property, plant and equipment *(note 6)*	**1,976**	1,636	**3,883**	3,053
Amortization of intangible assets *(note 7)*	**3,755**	1,612	**7,136**	3,143
(Gain) loss on sale of property and equipment	**(58)**	(40)	**(61)**	89
Equity-based compensation	**207**	422	**381**	217
Accretion expense	**601**	202	**1,258**	251
Amortization of borrowing costs	**145**	45	**271**	81
Foreign exchange loss (gain)	**142**	41	**(87)**	45
Share of joint venture (income)	**(187)**	(44)	**(174)**	(228)
Other loss	**-**	91	**-**	91
Change in fair value *(note 17)*	**(1,540)**	(6,804)	**(11,765)**	(5,941)
Deferred income tax reduction	**(223)**	(1,058)	**(2,097)**	(1,552)
Cash provided before non-cash working capital	**4,289**	3,754	**4,107**	7,959
Net change in non-cash working capital *(note 19)*	**(6,530)**	(4,226)	**1,864**	(9,452)
Net cash (used in) provided by operating activities	**(2,241)**	(472)	**5,971**	(1,493)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of intangible assets *(note 7)*	**-**	(174)	**-**	(219)
Business combination *(note 5)*	**-**	(14,000)	**-**	(14,000)
Purchase of property, plant and equipment *(note 6)*	**(1,239)**	(3,399)	**(3,120)**	(5,207)
Proceeds on disposal of property, plant and equipment	**198**	634	**337**	712
Distributions received from joint venture	**-**	335	**371**	633
Net cash used in investing activities	**(1,041)**	(16,604)	**(2,412)**	(18,081)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from operating loans *(note 9)*	**-**	1,025	**954**	1,025
Repayment of operating loans *(note 9)*	**(970)**			
Proceeds from credit facility *(note 9)*	**8,210**	18,800	**10,810**	18,800
Repayment of credit facility *(note 9)*	**-**	(2,000)	**(500)**	(26,500)
Credit facility transaction costs	**(92)**	(221)	**(103)**	(221)
Proceeds from notes payable *(note 10)*	**286**	1,507	**1,106**	1,966
Repayment of notes payable *(note 10)*	**(1,455)**	(1,877)	**(2,785)**	(6,603)
Proceeds received from issuance of debentures	**-**	-	**-**	50,000
Proceeds from subscription privileges	**-**	-	**-**	15,193
Exercise of stock options	**75**	399	**75**	399
Restricted security unit purchases	**(411)**	-	**(411)**	(300)
Exercise of restricted share units	**(63)**	-	**(63)**	-
Dividends paid to common shareholders	**(1,115)**	(1,111)	**(2,228)**	(2,204)
Proceeds received from issuance of preferred securities	**-**	-	**-**	100,000
Distributions paid to preferred security holders	**(1,479)**	(1,085)	**(2,991)**	(3,107)
Redemption of preferred securities	**-**	-	**-**	(104,746)
Redemption of series "A" shares	**-**	-	**-**	(900)
Dividends paid to series "A" shareholders	**-**	-	**-**	(7)
Retraction of private yield securities	**-**	-	**-**	(26,520)
Distributions paid to private yield security holders	**-**	-	**-**	(473)
Distributions paid to non-controlling interests *(note 13)*	**(776)**	(1,546)	**(1,967)**	(2,158)
Security transaction costs	**-**	(32)	**-**	(1,174)
Net cash provided by financing activities	**2,210**	13,859	**1,897**	12,472
Net change in cash and cash equivalents	**(1,072)**	(3,217)	**5,456**	(7,102)
Cash and cash equivalents, beginning of period	**15,928**	21,053	**9,400**	24,938
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ 14,856**	$ 17,836	**$ 14,856**	$ 17,836
Supplementary cash flow information				
Interest received	**$ 94**	$ 22	**$ 122**	$ 61
Interest paid	**$ 1,913**	$ 1,459	**$ 3,150**	$ 2,123
Income taxes paid	**$ 145**	$ 53	**$ 508**	$ 107

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, Diversified, Energy and Real Estate.

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

2. BASIS OF PREPARATION

(a) Statement of compliance

The 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 ("**IASB**"). The 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, 2017 with the exception of International Financial Reporting Standards ("**IFRS**") 9 and IFRS 15 which were adopted effective January 1, 2018. Because disclosures provided in these condensed interim consolidated financial statements do not conform in all respects with 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, 2017 and 2016.

The condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company (the "**Board**") on August 13, 2018.

(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 the rights to variable returns from its involvement with the investee and has 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 is Mosaic.

	Ownership interest	
	June 30, 2018	December 31, 2017
Allied Cathodic Services L.P. ("**Allied Cathodic**")	**80%**	80%
Ambassador Mechanical L.P. ("**Ambassador**")	**75%**	75%
Bassi Construction L.P. ("**Bassi**")	**70%**	70%
Cedar Infrastructure Products L.P. ("**Cedar**")	**75%**	75%
Circle 5 Tool & Mold L.P. ("**Circle 5**")	**75%**	75%
First West Properties L.P. ("**FWPLP**")	**100%**	100%
Industrial Scaffold Services L.P. ("**Industrial Scaffold**")	**90%**	68%
Kendall's Supply Ltd. ("**Kendall's Supply**")	**89%**	89%
Mackow Industries L.P. ("**Mackow**")	**80%**	80%
Place-Crete Systems L.P. ("**Place-Crete**")	**75%**	75%
Printing Unlimited L.P. ("**Printing Unlimited**")	**100%**	100%
Remote Waste L.P. ("**Remote Waste**")	**95%**	95%
Secon Holdings L.P. ("**SECON**")	**75%**	75%

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.

Non-controlling interests ("**NCI**") represent equity interests in subsidiaries owned by former controlling interest parties. NCIs are measured at their proportionate share of the Company's identifiable net assets at the date of acquisition. The share of net assets of subsidiaries attributable to NCI is presented as a component of equity. Their share of net earnings is recognized directly in equity. Changes in the Company's ownership interest in its subsidiaries that do not result in a loss of control are accounted for as equity transactions.

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

2. BASIS OF PREPARATION *(continued)*

(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 consolidated financial statements are presented in Canadian dollars.

(e) Use of estimates and judgments

The preparation of the condensed interim consolidated financial statements in accordance with IAS 34 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.

i. Revenue

Revenue is recognized when performance obligations are identifiable and recorded when goods or services are delivered to customers. Transaction prices are derived from specific selling prices either at the time of delivery or when the contract is signed with the customer for future delivery of products or services. The Company determines revenue to be transferred at a point in time when the physical asset or service is immediately transferred or consumed by the end customer. Revenue is considered to be transferred over a period of time when a series of activities are performed over a longer period of time to deliver a service or good to the customer.

For goods and services transferred over a period of time, revenue is recognized as the costs incurred to date compared to the total expected costs to be incurred to complete the contract. These estimates include assumptions regarding scheduling, costs of materials and labour, workforce productivity, changes in project scope and the ability to negotiate change orders to the original contract. The key estimates are applied consistent with those applied for the year ended December 31, 2017. These assumptions are subject to change over the construction period as new information becomes available. Revenue from change orders is recognized to the extent that management estimates that realization is probable.

All revenue includes an assessment of credit risk of the customer which is based upon a variety of factors including third party credit information, past payment history and industry insight.

Losses from any contracts are recognized in full in the period the loss becomes apparent. These losses are estimated upon project scope and expected costs of materials and labour.

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Change in accounting estimate

Effective January 1, 2018, the Company has changed the amortization of certain intangible assets detailed below:

	Original Useful Lives	Amended Useful Lives	Increased expense, current period	Anticipated increased expense, annual 2018
Customer relationships	4-15 years	4-15 years	$ 1,488	$ 2,977
Non-compete agreements	5 years	3-6 years	$ 36	$ 70

The change was made to more properly reflect the current estimated economic useful life of the assets. Under IFRS, this change is considered a change in accounting estimate and accounted for prospectively by amortizing the cumulative changes over the remaining useful life of the related assets.

Although the useful lives for customer relationships remained the same, specific assets within this class were amended.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) New accounting standards

i. IFRS 2 – Share-based payments

In June 2016, the IASB issued the final amendments to IFRS 2 that clarify the classification and measurement of share-based payment transactions. This includes the effect of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based transactions with a net settlement feature for withholding tax obligations and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments became effective for annual periods beginning on or after January 1, 2018 and are to be applied prospectively. The Company has applied this standard and it did not result in significant classification, recognition or measurement differences.

ii. IFRS 9 – Financial Instruments: Classification and Measurement

IFRS 9 was issued in November 2009 and replaced 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 has adopted the new standard, and it does not have a material impact on its financial results and financial position.

iii. IFRS 15 – Revenue from Contracts with Customers

IFRS 15 provides a single, principle based five-step model to be applied to all contracts with customers except insurance contracts, financial instruments and lease contracts which fall in the scope of other IFRS standards. This standard became effective for annual periods beginning on or after January 1, 2018. In addition to the five-step model, the standard specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Company determines the transaction price of revenue based on an agreed upon selling price with the ultimate customer based on normal commercial transaction methods that are inherent in the respective industry for each Mosaic subsidiary.

Mosaic has assessed that transaction prices are readily assessable as either goods or services are sold to the customer with specific selling prices at the time of delivery or when the contract is signed for the future delivery or a product or service. The timing of revenue recognition of each of these performance obligations (ie: over time for sale of goods and services where the goods and services are under the direct control of the customer and over the period that applies to the post-delivery warranty period as the warranty expires) is identifiable and recorded when the good or service is delivered to the customer. No material financing component is inherent in any contract.

Further, the Company has four subsidiaries that earn revenue from documented contracts with customers. These contracts tend to be for the delivery of a single item or service at a point in the future with specific completion dates and deliverables. As a result, the transaction price is determined in relation to the single contract deliverable and is in a formal contract with the customer. Contracts are assessed for potential separate performance obligations and where these obligations do exist, corresponding obligations and revenue are recognized separately.

Mosaic has assessed that the revenue from contracts should continue to be recognized under the percentage of completion method when:

- The performance of the Company enhances the asset;
- The performance of the Company does not create an asset that is simultaneously consumed by the customer; and
- The Company is creating an asset that has an alternative use than for the customer.

Further, the Company considers that the input method currently used to measure the progress towards complete satisfaction of these performance obligations will continue to be appropriate under IFRS 15.

To estimate income (loss) on completion, the Company takes into account factors inherent to the contract by using historical and forecast data. When total contract costs are likely to exceed total contract revenue, the expected loss is recognized within revenue at the point of time when the loss is deemed to be likely.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) New accounting standards *(continued)*

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

Mosaic provides assurance that the products sold to customers comply with agreed upon specifications and does not provide customers with the option to purchase warranties separately as a part of normal business practice. Accordingly, the Company will continue to account for warranties in accordance with IAS 37 – Provisions, Contingent Liabilities and Contingent Assets.

The Company has applied a modified retrospective approach in adopting the standard. As the current method of revenue recognition did not materially change from previous practices, there was deemed to be no difference in previously reported balances and amounts.

The Company measures revenue based on the consideration specified in a contract with a customer for satisfaction of performance obligations. Contract revenue comprises all sales of goods and rendering of services at the fair value of consideration received or receivable after the deduction of any trade discounts and excluding sales taxes. The Company's revenue recognition methodology is determined on a contract-by-contract basis. Revenue is recognized when Mosaic transfers control over a product or service to a customer. For products or services that are transferred at a point in time, revenue is recognized at the time in which the good or service is accepted by the customer, except for the sale of consignment products located at customers' premises where revenue is recognized on notification that the product has been used. Revenue from cost reimbursable contracts is recognized progressively on the basis of costs incurred during the period plus the estimated fee earned.

When the appropriate criteria for disaggregating revenue into more than one unit of accounting is met, the consideration is allocated to the separate performance obligations or elements based on each unit's relative fair value.

The nature of some of the Company's contracts give rise to unapproved change orders and claims. Contract estimates include additional revenue for unapproved change orders or claims against the customer when it is believed that there is an enforceable right to the unapproved change order or claim, the amount can be reliably estimated, and the criteria for recognizing revenue has been met. In evaluating these criteria, the contractual/legal basis for the claim, the cause for additional costs incurred, and reasonableness of those costs and the objective evidence available to support the claim are all considered. These estimates are also based on historical award evidence.

Contract Costs

Applying the practical expedient in paragraph 94 of IFRS 15, Mosaic recognizes the incremental costs of obtaining contracts as an expense when incurred if the amortization period of the assets that the Company otherwise would have recognized is one year or less.

Contract Assets and Liabilities

Contract assets are comprised of the Company's rights to consideration for work completed but not billed at the reporting date and accounts receivable. Contract assets are transferred to receivables when the rights to receipt are unconditional and may be affected by the timing of the monthly billing cycles. Contract liabilities relate to payments received in advance of contractual activities performed under the contract. Contract liabilities are recognized as revenue as or when these contractual activities have been performed.

(c) Future accounting standards

i. IFRS 16 – Leases

IFRS 16 specifies how an 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.

At June 30, 2018, the Company's IFRS 16 transition project consists of three key phases: project scoping, impact analysis and implementation. The addition, the impact of IFRS 16 is being further investigated to assess whether there may be a broader impact to Mosaic, which may include debt agreements, key performance metrics, management reporting and budgeting. The Company is in the process of completing a scoping exercise and performing detailed evaluations of its contracts that are potentially leases for accounting requirements under IFRS 16. This phase, along with the assessment and implementation of changes to policies, internal controls, information systems and business and accounting processes, will continue throughout 2018.

4. DETERMINATION OF FAIR VALUES

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Financial instruments measured at fair value on the statement of financial position require classification into one of the following levels of the fair value hierarchy:

- Level 1: Valuations based on quoted prices in active markets for identical assets or liabilities;
- Level 2: Valuations based on observable inputs other than quoted active market prices; and
- Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methods.

The fair value hierarchy level at which a fair value measurement is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

(a) Trade, accrued and other receivables and accrued contract revenue

The fair value of trade, accrued and other receivables and accrued contract revenue is estimated as the present value of future cash flows, discounted at the market rate of interest as the reporting date. This fair value is determined for disclosure purposes. The fair value approximates the carrying value due to the short term maturity.

(b) Trade, accrued and other payables

The fair value of trade, accrued and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. The fair value is determined for disclosure purposes. The fair value approximates the carrying value due to the short term maturity.

(c) Share-based compensation transactions

The fair value of share options is measured using the Black-Scholes pricing model. Measurement inputs include the share price on the measurement date, the exercise price of the instrument, the expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), the weighted average expected life of the instruments adjusted for forfeitures (based on historical experience and general holder behavior), the expected dividends and the risk-free interest rate (based on government bonds). Services and non-market performance conditions are not taken into account in determining fair value.

(d) Contingent consideration

The fair value of contingent consideration is estimated using the income approach which is the estimated present value of future cash flows, discounted at the market rate of interest at the reporting date.

(e) Other non-derivative financial liabilities

The fair value of other non-derivative financial liabilities is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease arrangements.

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

4. DETERMINATION OF FAIR VALUES *(continued)*

(e) Other non-derivative financial liabilities *(continued)*

The following table compares the fair value of the financial assets and financial liabilities to its corresponding carrying amount as presented in the consolidated statement of financial position.

		Fair value		
As at June 30, 2018	**Carrying amount**	**Level 1**	**Level 2**	**Level 3**
Financial liabilities				
Contingent consideration	$ 1,345	$ -	$ -	$ 1,345
Common share purchase warrants	5,269	-	-	20,555
Non-controlling interests put option	13,600	-	-	18,452
Total financial liabilities	$ 20,214	$ -	$ -	$ 40,352

		Fair value		
As at December 31, 2017	Carrying amount	Level 1	Level 2	Level 3
Financial liabilities				
Contingent consideration	$ 1,710	$ -	$ -	$ 1,710
Common share purchase warrants	15,792	-	-	20,555
Non-controlling interest put options	18,644	-	-	24,652
Total financial liabilities	$ 36,146	$ -	$ -	$ 46,917

5. BUSINESS COMBINATIONS

(a) Circle 5

On November 1, 2017, Mosaic completed the acquisition of a 75% interest in the business being carried on by Circle 5 Tool & Mold Inc. The remaining 25% was retained by its founders. Circle 5 is a supplier of molding solutions to tier 1 automotive part manufacturers based out of Windsor, Ontario. Circle 5 is classified as part of the diversified segment.

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 (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	$ 5,200
Property, plant and equipment	5,621
Intangibles	16,720
Goodwill	8,459
Non-controlling interests	(9,000)
Net assets acquired	**$ 27,000**

The goodwill is deductible for income tax purposes.

Consideration given	
Cash	$ 27,000
Total consideration	**$ 27,000**

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

6. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles	Buildings	Computer equipment	Production & rental equipment	Furniture and fixtures	Leasehold improvements	Total
Cost							
Balance at January 1, 2017	$ 6,612	$ 1,382	$ 1,124	$ 29,877	$ 558	$ 942	$ 40,495
Acquisitions	491	-	139	5,405	120	51	6,206
Additions	2,862	831	298	8,379	91	299	12,760
Disposals	(655)	-	(33)	(810)	(2)	(1)	(1,501)
Foreign exchange adjustment	(28)	-	(1)	(202)	(1)	(8)	(240)
Balance at December 31, 2017	9,282	2,213	1,527	42,649	766	1,283	57,720
Additions	709	18	40	2,776	271	134	3,948
Disposals	(918)	-	(43)	(92)	(31)	-	(1,084)
Foreign exchange adjustment	40	-	1	314	3	11	369
Balance at June 30, 2018	**$ 9,113**	**$ 2,231**	**$ 1,525**	**$ 45,647**	**$ 1,009**	**$ 1,428**	**$ 60,953**
Accumulated amortization							
Balance at January 1, 2017	$ 3,073	$ 52	$ 588	$ 9,432	$ 230	$ 285	$ 13,660
Amortization	1,646	92	211	4,830	89	134	7,002
Disposals	(475)	-	(16)	(261)	-	-	(752)
Foreign exchange adjustment	(3)	-	-	(3)	-	-	(6)
Balance at December 31, 2017	4,241	144	783	13,998	319	419	19,904
Amortization	724	53	112	2,853	63	78	3,883
Disposals	(248)	-	(36)	(47)	(23)	-	(354)
Foreign exchange adjustment	10	-	-	39	-	1	50
Balance at June 30, 2018	**$ 4,727**	**$ 197**	**$ 859**	**$ 16,843**	**$ 359**	**$ 498**	**$ 23,483**
Carrying value							
At December 31, 2017	$ 5,041	$ 2,069	$ 744	$ 28,651	$ 447	$ 864	$ 37,816
At June 30, 2018	**$ 4,386**	**$ 2,034**	**$ 666**	**$ 28,804**	**$ 650**	**$ 930**	**$ 37,470**

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

7. INTANGIBLE ASSETS

	Workforce	Trade name	Customer relationships	Backlog	Non-compete & employment agreements	Other	Total
Cost							
Balance at January 1, 2017	$ 4,710	$ 9,899	$ 56,522	$ 3,997	$ 3,777	$ 200	$ 79,105
Acquisitions	400	2,260	18,800	1,100	3,060	-	25,620
Additions	-	-	-	-	-	351	351
Fully amortized assets derecognized	-	-	-	(665)	-	(78)	(743)
Balance at December 31, 2017	5,110	12,159	75,322	4,432	6,837	473	104,333
Foreign exchange adjustment	-	-	-	-	-	10	10
Balance at June 30, 2018	**$ 5,110**	**$ 12,159**	**$ 75,322**	**$ 4,432**	**$ 6,837**	**$ 483**	**$ 104,343**
Accumulated amortization							
Balance at January 1, 2017	$ -	$ -	$ 10,537	$ 2,514	$ 1,656	$ 207	$ 14,914
Amortization	-	-	6,737	1,642	919	130	9,428
Fully amortized assets derecognized	-	-	-	(665)	-	(78)	(743)
Balance at December 31, 2017	-	-	17,274	3,491	2,575	259	23,599
Amortization	-	-	5,430	567	1,044	95	7,136
Foreign exchange adjustment	-	-	-	-	-	4	4
Balance at June 30, 2018	**$ -**	**$ -**	**$ 22,704**	**$ 4,058**	**$ 3,619**	**$ 358**	**$ 30,739**
Carrying value							
At December 31, 2017	$ 5,110	$ 12,159	$ 58,048	$ 941	$ 4,262	$ 214	$ 80,734
At June 30, 2018	**$ 5,110**	**$ 12,159**	**$ 52,618**	**$ 374**	**$ 3,218**	**$ 125**	**$ 73,604**

8. CONTRACT BALANCES

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers:

As at	**June 30, 2018**	December 31, 2017
Receivables included in trade, accrued and other receivables	**$ 47,613**	$ 41,053
Contract assets	**$ 19,369**	$ 17,286
Contract liabilities	**$ 3,857**	$ 3,603

The contract assets are comprised of accrued contract revenue primarily related to the Company's rights to consideration for work completed but not billed at the reporting date on customer contracts. The contract assets are transferred to receivables when the rights to receipt are unconditional and may be affected by the timing of the monthly billing cycles. Contract liabilities are composed of amounts received in advance of contractual obligations performed and are reported as deferred contract revenue.

Significant changes in the contract assets and liabilities balances during the period are as follows:

	Contract assets	Contract liabilities
Balance at December 31, 2017	**$ 17,286**	$ 3,603
Progress on projects	**(1,647)**	(82)
Contracts completed	**(4,823)**	(1,446)
New contracts entered	**8,433**	1,698
Foreign exchange adjustment	**120**	84
Balance at June 30, 2018	**$ 19,369**	**$ 3,857**

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

8. CONTRACT BALANCES *(continued)*

The following table includes revenue expected to be recognized in the future related to performance obligations that are unsatisfied or partially satisfied at the reporting date.

	Next 12 months	2019	2020	2021	Total
Construction related services	$ 84,948	$ 36,655	$ 3,352	$ -	$ 124,955

All consideration from contracts with customers is included in the amounts presented above.

9. CREDIT FACILITY AND OPERATING LINES

(a) Credit facility

On June 29, 2018, Mosaic renewed a $50,000 revolving three-year credit facility agreement with a Canadian financial institution (the "**Credit Facility**"), bearing interest at rates ranging from prime plus 0.50% - 1.50%. $15,000 of the Credit Facility's availability is subject to completion of an acquisition.

The 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 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; and
(iii) Debt Service Coverage Ratio(5) to be not less than 1.50 : 1.00.

As at June 30, 2018, Mosaic's compliance with these covenants is as follows:

		Covenant	As Calculated	Compliant
Consolidated:	Total Debt : Gross EBITDA	< 3.00	1.82	Yes
Consolidated:	Net Funded Debt : EBITDA	< 3.00	1.96	Yes
Consolidated:	Debt Service Coverage Ratio	> 1.50	1.84	Yes

(1) Total Debt is defined to include consolidated bank debt, finance 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) Debt service coverage ratio considers EBITDA less unfunded sustaining capital expenditures and cash taxes over cash interest and principal repayments less bullet payments on vender take-back notes.

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

9. CREDIT FACILITY AND OPERATING LINES *(continued)*

(b) Operating loans

The following operating loan facilities are available to subsidiaries of the Company to finance ongoing operations as follows:

	Facility type	Availability	Restrictions to availability	Security	Balance outstanding June 30, 2018	Balance outstanding December 31, 2017
Ambassador	Revolving demand	$ 3,000	AR & Inv	AA	**$ -**	$ -
Bassi	Revolving demand	2,000	75% of AR	GSA & AA	**-**	-
Cedar	Revolving demand	1,800	75% of AR	GSA	**640**	-
Circle 5	Revolving demand	5,000	AR & Inv	GSA	**314**	-
Industrial Scaffold	Revolving term	7,500	75% of AR	GSA & AA	**-**	-
Mackow	Revolving demand	3,000	AR & Inv	GSA	**-**	-
Place-Crete	Revolving demand	4,000	75% of AR	GSA	**-**	-
SECON	Revolving demand	6,800	75% of AR	GSA & AA	**-**	-
SECON	5-year term	4,000	CAPEX	GSA & AA	**-**	-
Total		$ 37,100			**$ 954**	$ -

*(1) "**AR**" – eligible trade accounts receivable*
*(2) "**Inv**" – inventories*
*(3) "**CAPEX**" – capital expenditures*
*(4) "**AA**" – assignment of all assets*
*(5) "**GSA**" – general security agreement*

10. NOTES PAYABLE

Notes payable include building mortgages, vehicle financings, equipment loans, term loans, leasehold improvement loans, finance leases and notes payable to holders of non-controlling interests. Details of these notes payable are as follows:

	Facility type	Term	Interest	Security	Balance Outstanding June 30, 2018	Balance Outstanding December 31, 2017
Bassi	VTB note	Nov 2019	5.5%	Bassi GSA & MG	**$ 3,000**	$ 3,000
Cedar	VTB note	Apr 2020	5.0%	Cedar GSA	**4,333**	4,333
Industrial Scaffold	Promissory note	Jan 2021	5.0%	NA	**6,221**	-
Mackow	VTB loan	Jul 2019	5.0%	Mackow GSA	**2,935**	4,059
Place-Crete	Promissory note	Jan 2020	5.0%	Place-Crete GSA	**275**	335
Printing Unlimited	Term loan	Oct 2020	P + 0.75%	Mortgage	**558**	562
All subsidiaries	Equipment and leasehold	< 5 years	< P + 0.5%	GSA & FC	**2,546**	1,905
All subsidiaries	Finance leases	< 5 years	< 9.6%	FC	**5,608**	6,061
All subsidiaries	Unamortized discount				**(738)**	(463)
Total notes payable					**24,738**	19,792
Current portion					**(6,743)**	(4,634)
Non-current portion					**$ 17,995**	**$ 15,158**

(1) "P" – Bank of Canada prime rate;
(2) "VTB" – vendor take back;
(3) "GSA" – general security agreement;
(4) "MG" – Mosaic guarantee;
(5) "FC" – first charge on specific assets.

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

10. NOTES PAYABLE *(continued)*

Payments of principal amounts owing are scheduled as follows:

	Principal repayments
2018	$ 7,176
2019	12,249
2020	4,106
2021	1,241
2022 and after	704
	$ 25,476

11. COMMON SHARE PURCHASE WARRANTS

On January 26, 2017, Mosaic issued common share purchase warrants (the "**Warrants**") entitling the holder to acquire up to 17,026,106 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 Debentures and 6% Preferred Securities. Under the residual value methodology, the 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 Debentures and the 6% Preferred Securities.

In determining the fair value of the Warrants, 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 6.0 years. The liquidity discount involves significant management judgment and is an unobservable input which is categorized within Level 3 of the fair value hierarchy.

The carrying value of the common share purchase warrants is as follows:

As at	**June 30, 2018**	December 31, 2017
Principal amount	**$ 20,555**	$ 20,555
Fair value adjustment	**(15,286)**	(4,763)
	$ 5,269	$ 15,792

12. NON-CONTROLLING INTERESTS PUT OPTIONS

Effective January 1, 2018, Industrial Scaffold redeemed a put option with a non-controlling interest. Under terms of the limited partnership agreement, Industrial Scaffold acquired a 25% non-controlling interest for $6,221 payable over 3 years in equal annual installments in the form of a promissory note bearing interest at 5.0% per annum. On completion of the transaction, the Company holds 90% of Industrial Scaffold.

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

13. NON-CONTROLLING INTERESTS

	Non-controlling interests
Balance at January 1, 2017	$ 43,196
Non-controlling interests acquired	14,808
Contributions by non-controlling interests	47
Distributions to non-controlling interests	(5,377)
Net income and comprehensive income attributable to non-controlling interests	5,319
Balance at December 31, 2017	57,993
Non-controlling interests redeemed	(6,951)
Distributions to non-controlling interests	(1,967)
Net loss and comprehensive loss attributable to non-controlling interests	(1,310)
Balance at June 30, 2018	**$ 47,765**

14. REVENUE

For the three months ended June 30, 2018	Infra-structure	Diversified	Energy	Real Estate	Total
Type of revenue					
Product sales	$ 5,166	$ 11,134	$ 513	$ -	$ 16,813
Services (including equipment rental)	8,268	11,314	1,599	-	21,181
Construction services	48,954	4,040	-	-	52,994
Real estate rentals	-	-	-	101	101
	$ 62,388	$ 26,488	$ 2,112	$ 101	$ 91,089
Timing of revenue recognition					
Goods transferred at a point in time	$ 5,165	$ 15,143	$ 2,112	$ 101	$ 22,521
Goods/services transferred over a period of time	57,223	11,345	-	-	68,568
	$ 62,388	$ 26,488	$ 2,112	$ 101	$ 91,089

For the three months ended June 30, 2017	Infra-structure	Diversified	Energy	Real Estate	Total
Type of revenue					
Product sales	$ 3,887	$ 9,739	$ 802	$ -	$ 14,428
Services (including equipment rental)	981	14,128	1,874	-	16,983
Construction services	38,190	-	-	-	38,190
Real estate rentals	-	-	-	125	125
	$ 43,058	$ 23,867	$ 2,676	$ 125	$ 69,726
Timing of revenue recognition					
Goods transferred at a point in time	$ 3,887	$ 9,824	$ 2,676	$ 125	$ 16,512
Goods/services transferred over a period of time	39,171	14,043	-	-	53,214
	$ 43,058	$ 23,867	$ 2,676	$ 125	$ 69,726

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

14. REVENUE *(continued)*

For the six months ended June 30, 2018	Infra-structure	Diversified	Energy	Real Estate	Total
Type of revenue					
Product sales	$ 6,670	$ 21,565	$ 718	$ -	$ 28,953
Services (including equipment rental)	12,340	19,070	4,049	-	35,459
Construction services	86,085	8,422	-	-	94,507
Real estate rentals	-	-	-	170	170
	$ 105,095	$ 49,057	$ 4,767	$ 170	$ 159,089
Timing of revenue recognition					
Goods transferred at a point in time	$ 6,670	$ 29,987	$ 4,767	$ 170	$ 41,594
Goods/services transferred over a period of time	98,425	19,070	-	-	117,495
	$ 105,095	$ 49,057	$ 4,767	$ 170	$ 159,089

For the six months ended June 30, 2017	Infra-structure	Diversified	Energy	Real Estate	Total
Type of revenue					
Product sales	$ 3,887	$ 19,779	$ 1,213	$ -	$ 24,879
Services (including equipment rental)	3,509	19,574	3,973	-	27,056
Construction services	75,609	-	-	-	75,609
Real estate rentals	-	-	-	291	291
	$ 83,005	$ 39,353	$ 5,186	$ 291	$ 127,835
Timing of revenue recognition					
Goods transferred at a point in time	$ 3,887	$ 19,779	$ 5,186	$ 291	$ 29,143
Goods/services transferred over a period of time	79,118	19,574	-	-	98,692
	$ 83,005	$ 39,353	$ 5,186	$ 291	$ 127,835

15. COMPENSATION

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

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	**2018**	2017
Personnel and personnel related expenses	**$ 29,195**	$ 26,216	**$ 54,339**	$ 47,584
Equity-based compensation	**207**	422	**381**	217
	$ 29,402	$ 26,638	**$ 54,720**	$ 47,801

16. NET FINANCE COSTS

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	**2018**	2017
Interest				
Expense	**$ 1,896**	$ 1,136	**$ 3,771**	$ 2,123
Income on cash and cash equivalents	**(105)**	(22)	**(133)**	(61)
Accretion expense	**601**	202	**1,258**	251
Amortization of debt issue costs	**145**	45	**271**	81
	$ 2,537	$ 1,361	**$ 5,167**	$ 2,394

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

17. CHANGE IN FAIR VALUE

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	**2018**	2017
Common share purchase warrants	**$ 1,540**	$ 6,804	**$ 10,523**	$ 5,941
Non-controlling interest put option redemption	**-**	-	**1,242**	-
	$ 1,540	$ 6,804	**$ 11,765**	$ 5,941

18. EARNINGS PER SHARE

Earnings per share is calculated as follows:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	**2018**	2017
Net (loss) income for common shareholders – Basic	**$ (3,015)**	$ 5,019	**$ 3,697**	$ 2,594
Effect of dilutive securities	**-**	169	**361**	(5,589)
Net (loss) income for common shareholders – Diluted	**$ (3,015)**	$ 5,188	**$ 4,058**	$ (2,995)
Weighted average number of common shares – Basic	**10,606,183**	10,536,860	**10,590,015**	9,874,813
Weighted average number of common shares – Diluted	**10,606,183**	12,277,301	**12,356,615**	27,197,794
Earnings per share – Basic	**$ (0.28)**	$ 0.48	**$ 0.35**	$ 0.26
Earnings per share – Diluted	**$ (0.28)**	$ 0.42	**$ 0.33**	$ (0.11)

For the three months ended June 30, 2018, the Company excluded 229,948 stock options, 13,124 convertible debentures and 17,026,106 warrants, as their inclusion would be anti-dilutive (2017 – 173,020 stock options, and 17,026,106 warrants). For the six months ended June 30, 2018, the Company excluded 228,306 stock options, and 17,026,106 warrants, as their inclusion would have been anti-dilutive (2017 – 86,988 stock options).

19. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash operating working capital:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	**2018**	2017
Trade, accrued and other receivables	**$ (13,303)**	$ (9,545)	**$ (249)**	$ (9,140)
Accrued contract revenue	**(2,246)**	-	**(2,225)**	-
Inventories	**(1,546)**	(838)	**(2,716)**	(1,472)
Deposits and prepaid expenses	**(38)**	495	**(106)**	768
Trade, accrued and other payables	**10,267**	4,336	**7,330**	(128)
Income taxes payable	**167**	(199)	**(2)**	(213)
Deferred contract revenue	**114**	1,525	**254**	733
Contingent consideration	**55**	-	**(422)**	-
	$ (6,530)	$ (4,226)	**$ 1,864**	$ (9,452)

20. RELATED PARTY TRANSACTIONS

Rent of $316 for the three months ended June 30, 2018 (2017 - $278) and $633 for the six months ended June 30, 2018 (2017 - $556) 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 June 30, 2018 (December 31, 2017 - $nil).

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

21. COMMITMENTS AND CONTINGENT LIABILITIES

Mosaic has commitments under operating leases for office and shop space. Amounts to be paid in relation to these are approximately as follows:

Year	Amount
2018	$ 3,493
2019	2,716
2020	2,300
2021	1,858
2022	917
Thereafter	2,035
	$ 13,319

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 financial performance 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.

22. 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 and cash equivalents; 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 operating loan, credit facility and notes payable also approximate fair value as they were entered recently and interest rates have not changed materially during the period.

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

22. FINANCIAL INSTRUMENTS *(continued)*

(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 June 30, 2018 for its financial liabilities:

	Carrying amount	Contractual cash flow	Less than 12 months	1 – 2 years	2 -3 years	Thereafter
Operating loans	**$ 954**	$ 1,002	$ 1,002	$ -	$ -	$ -
Trade, accrued, and other payables	**49,119**	49,119	49,119	-	-	-
Distributions payable	**1,496**	1,496	1,496	-	-	-
Credit facility	**29,616**	33,470	1,195	1,195	31,080	-
Liabilities associated with assets held for sale	**2,454**	3,214	3,214	-	-	-
Contingent consideration	**1,345**	1,637	171	1,466	-	-
Notes payable	**24,738**	26,297	7,698	12,520	4,239	1,840
Debentures	**47,210**	63,750	2,500	2,500	2,500	56,250
Convertible debentures	**11,622**	2,989	919	919	919	232
Common share purchase warrants	**5,269**	-	-	-	-	-
Redeemable non-controlling interest	**19,522**	23,850	1,400	1,400	21,050	-
Non-controlling interests put options	**13,600**	18,453	2,030	2,606	5,606	8,211
	$ 206,945	$ 225,277	$ 70,744	$ 22,606	$ 65,394	$ 66,533

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) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk can be heightened from exposure to a single customer or to several customers that have similar qualities and characteristics. The Company's exposure to credit risk is primarily related to cash and cash equivalents held with financial institutions and the carrying value of its trade, accrued and other receivables. The Company is subject to a concentration of credit risk as 15.2% (2017 – 14.1%) of trade receivables is from its three largest customers. The Company continuously evaluates the financial condition and credit worthiness of all customers and potential customers in order to mitigate such risk. In the event that losses do occur, all impairments are recognized in the profit and loss.

(d) 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 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.

(e) 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 June 30, 2018, a 1% movement in the prime rate would change the interest expense by approximately $299 (2017 - $166).

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

23. 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, Bassi, Cedar, Place-Crete and SECON.
- Diversified - consists of the business operations comprised of Circle 5, Industrial Scaffold, Kendall's Supply, Mackow and Printing Unlimited.
- Energy - consists of the business operations comprised of Allied Cathodic and Remote Waste.
- 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.

For the three months ended June 30, 2018	Infra-structure	Diversified	Energy	Real Estate	Corporate	Total
Revenue	$ 62,388	$ 26,488	$ 2,112	$ 101	$ -	$ 91,089
Operating expenses	57,523	23,390	2,446	79	1,510	84,948
	4,865	3,098	(334)	22	(1,510)	6,141
Amortization:						
Property, plant and equipment	637	990	345	-	4	1,976
Intangible assets	1,609	1,934	212	-	-	3,755
(Gain) loss on sale of property and equipment	(19)	(18)	(21)	-	-	(58)
Equity-based compensation	-	-	-	-	207	207
Operating income (loss)	2,638	192	(870)	22	(1,721)	261
Net finance costs	511	136	42	26	1,822	2,537
Foreign exchange loss	15	65	62	-	-	142
Share of joint venture income	-	-	-	(187)	-	(187)
Income (loss) before change in fair value	2,112	(9)	(974)	183	(3,543)	(2,231)
Change in fair value	-	-	-	-	(1,540)	(1,540)
Income (loss) before income taxes	$ 2,112	$ (9)	$ (974)	$ 183	$ (2,003)	$ (691)
Purchase of property, plant and equipment	$ 1,131	$ 655	$ 130	$ -	$ -	$ 1,916

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

24. SEGMENTED INFORMATION *(continued)*

For the three months ended June 30, 2017	Infra-structure	Diversified	Energy	Real Estate	Corporate	Total
Revenue	$ 43,058	$ 23,867	$ 2,676	$ 125	$ -	$ 69,726
Operating expenses	40,923	18,826	2,411	293	2,305	64,758
	2,135	5,041	265	(168)	(2,305)	4,968
Amortization:						
Income-producing properties	-	-	-	48	-	48
Property, plant and equipment	679	539	412	-	6	1,636
Intangible assets	893	619	93	-	7	1,612
Loss (gain) on sale of property and equipment	8	(17)	(7)	(24)	-	(40)
Equity-based compensation	-	-	-	-	422	422
Operating income (loss)	555	3,900	(233)	(192)	(2,740)	1,290
Net finance costs	47	27	31	26	1,230	1,361
Foreign exchange (gain) loss	(15)	56	-	-	-	41
Share of joint venture income	-	-	-	(44)	-	(44)
Other loss	-	-	-	-	91	91
Income (loss) before change in fair value	523	3,817	(264)	(174)	(4,061)	(159)
Change in fair value	-	-	-	-	(6,804)	(6,804)
Income (loss) before taxes	523	3,817	(264)	(174)	2,743	6,645
Purchase of property, plant and equipment	$ 1,080	$ 6,680	$ 576	$ -	$ 15	$ 8,351

For the six months ended June 30, 2018	Infra-structure	Diversified	Energy	Real Estate	Corporate	Total
Revenue	$ 105,095	$ 49,057	$ 4,767	$ 170	$ -	$ 159,089
Operating expenses	99,516	43,179	5,090	261	3,119	151,165
	5,579	5,878	(323)	(91)	(3,119)	7,924
Amortization:						
Property, plant and equipment	1,224	1,965	684	-	10	3,883
Intangible assets	3,182	3,539	411	-	4	7,136
(Gain) loss on sale of property and equipment	(19)	(33)	(24)	-	15	(61)
Equity-based compensation	-	-	-	-	381	381
Operating income (loss)	1,192	407	(1,394)	(91)	(3,529)	(3,415)
Net finance costs	1,008	363	99	55	3,642	5,167
Foreign exchange loss (gain)	10	(97)	-	-	-	(87)
Share of joint venture income	-	-	-	(174)	-	(174)
Income (loss) before change in fair value	174	141	(1,493)	28	(7,171)	(8,321)
Change in fair value	-	(1,242)	-	-	(10,523)	(11,765)
Income (loss) before taxes	$ 174	$ 1,383	$ (1,493)	$ 28	$ 3,352	$ 3,444
Purchase of property, plant and equipment	$ 1,496	$ 2,058	$ 394	$ -	$ -	$ 3,948

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

24. SEGMENTED INFORMATION *(continued)*

For the six months ended June 30, 2017	Infra-structure	Diversified	Energy	Real Estate	Corporate	Total
Revenue	$ 83,005	$ 39,353	$ 5,186	$ 291	$ -	$ 127,835
Operating expenses	77,364	31,154	4,352	497	4,306	117,673
	5,641	8,199	834	(206)	(4,306)	10,162
Amortization:						
Income-producing properties	-	-	-	97	-	97
Property, plant and equipment	1,290	955	796	-	12	3,053
Intangible assets	1,707	1,240	185	-	11	3,143
Loss (gain) on sale of property and equipment	22	106	(15)	(24)	-	89
Equity-based compensation	-	-	-	-	217	217
Operating income (loss)	2,622	5,898	(132)	(279)	(4,546)	3,563
Net finance costs	77	63	57	52	2,145	2,394
Foreign exchange (gain) loss	(15)	60	-	-	-	45
Share of joint venture income	-	-	-	(228)	-	(228)
Other loss	-	-	-	-	91	91
Income (loss) before change in fair value	2,560	5,775	(189)	(103)	(6,782)	1,261
Change in fair value	-	-	-	-	(5,941)	(5,941)
Income (loss) before taxes	2,560	5,775	(189)	(103)	(841)	7,202
Purchase of property, plant and equipment	$ 2,418	$ 7,292	$ 1,382	$ -	$ 40	$ 11,132

As at June 30, 2018	**Infra-structure**	**Diversified**	**Energy**	**Real Estate**	**Corporate**	**Total**
Total assets	**$ 168,797**	**$ 135,107**	**$ 13,927**	**$ 10,278**	**$ 4,719**	**$ 332,828**
Total liabilities	**$ 60,044**	**$ 31,835**	**$ 2,952**	**$ 2,243**	**$ 115,087**	**$ 212,161**

As at December 31, 2017	Infra-structure	Diversified	Energy	Real Estate	Corporate	Total
Total assets	$ 162,843	$ 129,212	$ 16,132	$ 10,823	$ 9,923	$ 328,933
Total liabilities	$ 58,570	$ 31,161	$ 3,818	$ 2,554	$ 109,067	$ 205,170