

Mosaic Capital Corporation
Condensed Interim Consolidated Financial Statements
For the Six Months Ended June 30, 2016 and 2015

(unaudited)

MOSAIC CAPITAL CORPORATION
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2016 and 2015

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Mosaic Capital Corporation

Condensed Interim Consolidated Statements of Financial Position

(Unaudited)

(in thousands of Canadian dollars)

Assets	Notes	June 30, 2016 \$	December 31, 2015 \$
Current assets			
Cash and cash equivalents		27,055	39,854
Accounts receivable		53,103	47,115
Inventories		5,951	5,067
Deposits and prepaid expenses		1,642	1,069
Income taxes recoverable		970	1,366
		88,721	94,471
Non-current assets			
Property held for development		985	985
Income-producing properties		11,781	11,878
Loan receivable		216	256
Investment in joint venture		3,685	3,970
Property, plant & equipment		20,963	21,399
Employee share purchase plan		189	247
Goodwill and other intangible assets		67,714	69,095
		105,533	107,830
		194,254	202,301
Liabilities			
Current liabilities			
Operating loans		2,397	2,257
Accounts payable & accrued liabilities		19,081	19,414
Dividends payable		1,085	1,087
Deferred contract revenue	5	4,860	5,759
Current portion of contingent consideration		423	423
Current portion of notes payable		4,656	5,128
		32,502	34,068
Non-current liabilities			
Notes payable		2,013	3,718
Deferred income tax liability		1,229	1,412
Contingent consideration		127	127
Security deposits		47	47
		3,416	5,304
		35,918	39,372
Shareholders' Equity			
Preferred securities		102,161	102,120
Series "A" shares		570	570
Common shares		17,853	17,609
Private yield securities		23,922	23,922
Warrants - private yield securities		1,887	1,887
Contributed surplus		1,122	2,124
Non-controlling interests	8	27,631	27,447
Deficit		(16,810)	(12,750)
		158,336	162,929
		194,254	202,301

Commitments and contingent liabilities (Note 14)

Subsequent event (Note 16)

See accompanying notes to the condensed interim consolidated financial statements.

Mosaic Capital Corporation
Condensed Interim Consolidated Statements of Income and Comprehensive Income
For the Six Months Ended June 30, 2016 and 2015

(Unaudited)

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

	Notes	Three months ended June 30,		Six months ended June 30,	
		2016 \$	2015 Note 15	2016 \$	2015 Note 15
Revenue	9	48,270	43,738	88,514	82,154
Operating expenses		43,131	38,470	78,423	72,193
Income from operations		5,139	5,268	10,091	9,961
Accretion expense		-	1	-	4
Amortization of income-producing properties		48	50	97	98
Amortization of property, plant & equipment		983	966	1,923	1,853
Amortization of intangible assets		688	1,304	1,374	2,758
Securities-based compensation		223	159	325	694
Loss on sale of property, plant & equipment		30	91	1	102
		1,972	2,571	3,720	5,509
Income before finance		3,167	2,697	6,371	4,452
Finance income	11	94	42	183	92
Finance expense	11	(116)	(172)	(248)	(481)
		(22)	(130)	(65)	(389)
Share of joint venture income (loss)		240	(46)	187	(150)
Other income		-	1,167	-	1,167
Income from continuing operations before income taxes		3,385	3,688	6,493	5,080
Income tax expense (recovery)					
Current		(162)	238	245	539
Deferred		-	(517)	(183)	(856)
		(162)	(279)	62	(317)
Net income from continuing operations		3,547	3,967	6,431	5,397
Loss from discontinued operations	15	-	(2,785)	-	(4,155)
Net income and comprehensive income		3,547	1,182	6,431	1,242
Net income and comprehensive income attributable to:					
Shareholders		2,201	656	4,205	678
Non-controlling interests	8	1,346	526	2,226	564
		3,547	1,182	6,431	1,242
Earnings per share:					
Net (loss) gain per common share from continuing operations					
Basic	6	(0.13)	0.02	(0.28)	(0.16)
Diluted	6	(0.13)	0.02	(0.28)	(0.16)
Net loss per common share					
Basic	6	(0.13)	(0.32)	(0.28)	(0.67)
Diluted	6	(0.13)	(0.32)	(0.28)	(0.67)

See accompanying notes to the condensed interim consolidated financial statements.

Mosaic Capital Corporation
Condensed Interim Consolidated Statements of Changes in Equity
For the Six Months Ended June 30, 2016 and 2015

(Unaudited)
(in thousands)

	Notes	Number of Preferred Securities	Preferred Securities	Number of Series "A" Shares	Series "A" Shares	Number of Common Shares	Common Shares	Number of Private Yield Securities	Private Yield Securities	Number of Warrants - Common Shares	Warrants - Common Shares	Number of Warrants - Private Yield Securities	Warrants - Private Yield Securities	Contributed Surplus	Total Capital	Non-Controlling Interests	Deficit	Total Equity
			\$		\$		\$		\$		\$		\$	\$	\$	\$	\$	\$
Balance at January 1, 2015		10,579	102,526	42	270	8,201	17,016	-	-	631	250	-	-	2,175	122,237	35,040	(694)	156,583
Issue of private yield securities		-	-	-	-	-	-	27	24,581	-	-	27	1,939	-	26,520	-	-	26,520
Restricted security unit issuances		24	487	-	-	56	346	-	-	-	-	-	-	-	833	-	-	833
Restricted security unit purchases		(72)	(795)	-	-	-	-	-	-	-	-	-	-	-	(795)	-	-	(795)
Security transaction costs		-	(33)	-	-	-	(8)	-	(659)	-	-	-	(52)	-	(752)	-	-	(752)
Distributions to non-controlling interests	8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(480)	-	(480)
Contributions by non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	-	-	-	500	-	500
Dividends declared on preferred securities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(5,278)	(5,278)
Dividends declared on series "A" shares		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(21)	(21)
Dividends declared on common shares		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,691)	(1,691)
Distributions declared on private yield securities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(863)	(863)
Adjustment on reorganization of subsidiary		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	138	138
Securities-based compensation		-	-	-	-	-	-	-	-	-	-	-	-	(369)	(369)	-	-	(369)
Net income and comprehensive income		-	-	-	-	-	-	-	-	-	-	-	-	-	-	564	678	1,242
Balance at June 30, 2015		10,531	102,185	42	270	8,257	17,354	27	23,922	631	250	27	1,887	1,806	147,674	35,624	(7,731)	175,567
Balance at January 1, 2016		10,488	102,120	88	570	8,359	17,609	27	23,922	-	-	27	1,887	2,124	148,232	27,447	(12,750)	162,929
Cancellation of preferred securities and common shares		(25)	(148)	-	-	(41)	(251)	-	-	-	-	-	-	-	(399)	-	-	(399)
Restricted security unit purchases		-	-	-	-	-	(385)	-	-	-	-	-	-	-	(385)	-	-	(385)
Restricted security unit issuances		14	189	-	-	28	880	-	-	-	-	-	-	-	1,069	-	-	1,069
Contributions from non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	-	-	-	26	-	26
Distributions to non-controlling interests	8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(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)
Securities-based compensation		-	-	-	-	-	-	-	-	-	-	-	-	(1,002)	(1,002)	-	-	(1,002)
Net income and comprehensive income		-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,226	4,205	6,431
Balance at June 30, 2016		10,477	102,161	88	570	8,346	17,853	27	23,922	-	-	27	1,887	1,122	147,515	27,631	(16,810)	158,336

See accompanying notes to the condensed interim consolidated financial statements.

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Condensed Interim Consolidated Statements of Cash Flows
For the Six Months Ended June 30, 2016 and 2015
(Unaudited)
(in thousands of Canadian dollars)

	Notes	Three months ended June 30,		Six months ended June 30,	
		2016	2015	2016	2015
		\$		\$	\$
Operating activities					
Income for the period attributable to shareholders		2,201	656	4,205	678
Adjustments for:					
Accretion expense		-	1	-	4
Amortization of income producing properties		48	50	97	98
Amortization of property, plant & equipment		983	1,898	1,923	3,720
Amortization of intangible assets		688	1,349	1,374	2,849
Securities-based compensation		223	159	325	694
Deferred income tax expense (recovery)		-	145	(183)	(29)
Share of joint venture (income) loss		(240)	46	(187)	150
(Gain) loss on sale of property, plant & equipment		30	88	1	120
Other income		-	(1,167)	-	(1,167)
Impairment loss		-	1,346	-	1,346
Non-controlling interests	8	1,346	526	2,226	564
Cash provided prior to changes in non-cash working capital		5,279	5,097	9,781	9,027
Changes in non-cash working capital	12	(8,912)	(1,361)	(8,346)	1,950
		<u>(3,633)</u>	<u>3,736</u>	<u>1,435</u>	<u>10,977</u>
Investing activities					
Purchase of intangible assets		(7)	(2)	(11)	(4)
Purchase of property, plant & equipment		(788)	(1,776)	(1,368)	(2,365)
Proceeds on disposal of property, plant & equipment		123	150	213	264
Additions to income-producing properties		-	(44)	-	(287)
Employee share purchase plan		(9)	51	58	88
		<u>(681)</u>	<u>(1,621)</u>	<u>(1,108)</u>	<u>(2,304)</u>
Financing activities					
Proceeds from notes payable		-	292	-	466
Proceeds from operating loans		140	-	140	-
Repayment of operating loans		-	(1,945)	-	(25,295)
Distributions paid to non-controlling interests	8	(1,206)	(480)	(2,068)	(480)
Issuance of private yield securities		-	-	-	24,581
Issuance of warrants - private yield securities		-	-	-	1,939
Dividends paid to preferred security holders		(2,074)	(2,085)	(4,122)	(4,159)
Dividends paid to preferred security holders for DRIP		(570)	(547)	(1,146)	(1,119)
Dividends paid to series "A" shareholders		(22)	(11)	(44)	(21)
Distributions paid to private yield security holders		(614)	(611)	(1,227)	(659)
Security transaction costs		-	-	-	(1,018)
Restricted security unit purchases		(90)	(50)	(385)	(795)
Dividends paid to common shareholders		(863)	(835)	(1,726)	(1,691)
Repayment of notes payable		(1,288)	(1,785)	(2,548)	(3,581)
		<u>(6,587)</u>	<u>(8,057)</u>	<u>(13,126)</u>	<u>(11,832)</u>
Decrease in cash and cash equivalents		(10,901)	(5,942)	(12,799)	(3,159)
Cash and cash equivalents, beginning of period		37,956	32,957	39,854	30,174
Cash and cash equivalents, end of period		<u>27,055</u>	<u>27,015</u>	<u>27,055</u>	<u>27,015</u>
Supplementary cash flow information:					
Interest received		94	42	183	92
Interest paid		116	178	248	494
Income taxes paid		330	665	660	1,855

See accompanying notes to the condensed interim consolidated financial statements.

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(Unaudited)

(in thousands, except 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 a Calgary-based investment company that owns a portfolio of established businesses. The Company continues to 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, 2016, Mosaic owns and controls the following significant subsidiaries:

Significant Subsidiaries	Ownership interest	
	June 30, 2016	Dec. 31, 2015
Printing Unlimited L.P. ("Printing Unlimited")	100.00%	100.00%
Allied Cathodic Services L.P. ("Allied Cathodic")	80.00%	80.00%
Remote Waste L.P. ("Remote Waste")	96.00%	96.00%
Ambassador Mechanical Corp. ("Ambassador")	75.00%	75.00%
Kendall's Supply Ltd. ("Kendall's Supply")	89.00%	89.00%
Industrial Scaffold Services L.P. ("Industrial Scaffold")	67.50%	67.50%
Place-Crete Systems L.P. ("Place-Crete")	75.00%	75.00%
South East Construction L.P. ("SECON")	75.00%	75.00%
First West Properties L.P. ("FWPLP")	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.

During the fourth quarter of 2015, the Company completed the sale of its 70% interest in Streamline Mechanical L.P. and Streamline Projects L.P. ("Streamline") and closed the sale of substantially all of the assets of Polar Geomatics Solutions L.P. ("Polar"). As a result of the above noted transactions, the Company has presented the results of Streamline and Polar as discontinued operations for the prior period comparatives in the Company's unaudited condensed interim consolidated financial statements ("Interim Financial Statements").

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

2. BASIS OF PREPARATION

a. Statement of compliance

These 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

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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, 2015.

The Interim Financial Statements were approved by the board of directors of Mosaic on August 12, 2016.

b. Basis of measurement

The Interim Financial Statements have been prepared on a going-concern basis, under 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 have been presented in Canadian dollars rounded to the nearest thousand, except where otherwise noted.

d. Use of estimates and judgements

The preparation of the Interim Financial Statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and assumptions are reviewed on an ongoing basis. Revisions to estimates are applied prospectively.

In preparing the Interim Financial Statements, the significant judgements made by Mosaic's management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied to the audited consolidated financial statements as at and for the year ended December 31, 2015.

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 intends 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. Changes, if any, are not expected to be material.

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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 currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

IFRS 16 – Leases

IFRS 16 specifies how an IFRS reporter 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. An entity applies IFRS 16 for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted if IFRS 15 Revenue from Contracts with Customers 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 assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date.

4. DETERMINATION OF FAIR VALUES

A number of IFRS require the determination of fair values for financial and non-financial assets and liabilities.

When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Property, plant & equipment, intangible assets and goodwill

The fair values of property, plant and equipment, intangible assets and goodwill recognized in a business combination, are based on market values determined pursuant to independent appraisals. The market value of property, plant and equipment is the estimated amount for which the asset could be exchanged on the acquisition date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of intangible assets and goodwill are estimated with reference to the discounted cash flows expected to be derived from these assets.

Cash and cash equivalents, accounts receivable, loans receivable, accounts payable & accrued liabilities, dividends payable, operating loans, notes payable and contingent consideration.

The fair value of cash and cash equivalents, accounts receivable, accounts payable & accrued liabilities, dividends payable and operating loans approximates their carrying value due to their short term to maturity. Notes payable are recorded initially at fair value less transaction costs, and subsequently amortized, reflecting debt discounts or premiums where interest rates negotiated with third parties differ from estimated market rates, which in management's opinion reflect their estimated fair values.

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Contingent consideration is classified as a liability and its initial fair value is determined by applying probability adjusted key scenarios to the terms of the contingent consideration as set out in the related purchase agreements. Contingent consideration is remeasured to fair value at each reporting date until the contingency is resolved. The changes in fair value are recognized in income.

Inventories

The fair value of inventories is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Options for common shares and series "A" shares and warrants for private yield securities

The fair value of options to purchase common shares and series "A" shares, and warrants to purchase private yield securities, are measured using a Black-Scholes option pricing model. Measurement inputs include security price on the measurement date, exercise price of the instrument, expected volatility, weighted average expected life of the instrument, expected dividends and the risk-free interest rate.

Fair Value Hierarchy

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into three categories based on the degree to which inputs used in determining fair value are observable:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities that an entity can access at the measurement date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis;

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 - Inputs that are unobservable for the asset or liability.

Cash and cash equivalents are measured at fair value based on a Level 1 designation. The Company's policy is to recognize transfers in and out 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 uses internally developed methodologies and unobservable inputs to determine the fair value of some financial instruments when required. As such, contingent consideration issued in business acquisitions is considered to be a level 3 financial instrument. The fair value of the contingent consideration was determined by using the targets from the purchase agreements and applying probability adjusted key scenarios.

There were no changes in the fair value of Mosaic's Level 3 financial instruments for the period ended June 30, 2016.

5. CONTRACTS

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

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	Three months ended		Six months ended	
	June 30,		June 30,	
	2016	2015	2016	2015
	\$	\$	\$	\$
Earned revenue on projects to date (included in revenue)	33,999	30,372	63,735	57,856
Less: billings on projects to date	(37,957)	(32,079)	(67,693)	(59,563)
Net financial position	(3,958)	(1,707)	(3,958)	(1,707)
	As at June 30,		As at June 30,	
	2016	2015	2016	2015
Reported as:				
Costs in excess of billings (work in progress)	902	816	902	816
Deferred contract revenue	(4,860)	(2,523)	(4,860)	(2,523)
	(3,958)	(1,707)	(3,958)	(1,707)

Work in progress is included in inventories.

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

	Three months ended		Six months ended	
	June 30,		June 30,	
	2016	2015	2016	2015
	\$	\$	\$	\$
Contract revenue (included in revenue)	33,999	30,372	63,735	57,856
Contract expense (included in operating expenses)	(22,502)	(23,263)	(49,143)	(45,120)
Contract profit	11,497	7,109	14,592	12,736

6. EARNINGS PER SHARE ("EPS")

For the purposes of calculating EPS, the earnings available to common shareholders is net of the non-controlling interests, preferred security dividends declared, private yield securities distributions declared and series "A" share dividends declared. EPS is based on the weighted-average number of common shares outstanding.

Diluted EPS is calculated by adjusting the weighted-average of basic common shares outstanding, for all potentially dilutive in-the-money securities including common shares options, warrants and restricted security units ("RSUs").

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	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Net income from continuing operations	\$ 3,547	\$ 3,967	\$ 6,431	\$ 5,397
Less: Non-controlling interests	(1,346)	(526)	(2,226)	(564)
Less: Preferred security dividends declared	(2,648)	(2,639)	(5,268)	(5,278)
Less: Private yield securities distributions declared	(614)	(614)	(1,227)	(863)
Less: Series "A" share dividends declared	(22)	(11)	(44)	(21)
Net income (loss) from continuing operations for common shareholders	(1,083)	177	(2,334)	(1,329)
Weighted average number of common shares	8,334	8,239	8,347	8,222
Basic EPS from continuing operations	(0.13)	0.02	(0.28)	(0.16)
Loss from discontinued operations	-	(2,785)	-	(4,155)
Weighted average number of common shares	8,334	8,239	8,347	8,222
Basic EPS from discontinued operations	-	(0.34)	-	(0.51)
Basic EPS	(0.13)	(0.32)	(0.28)	(0.67)
Average number of shares for options	-	-	-	-
Average number of shares for RSUs	-	-	-	-
Diluted average number of common shares	8,334	8,239	8,347	8,222
Diluted EPS from continuing operations	(0.13)	0.02	(0.28)	(0.16)
Diluted EPS from discontinued operations	-	(0.34)	-	(0.51)
Diluted EPS	(0.13)	(0.32)	(0.28)	(0.67)

As at June 30, 2016, there were 352 options (June 30, 2015 – 222) and 286 RSUs (June 30, 2015 – 220) considered anti-dilutive.

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7. 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 and SECON.
- 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 and Printing Unlimited.
- 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" as 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.

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	Infrastructure as at		Energy as at		Diversified as at		Real Estate as at		Corporate as at		Consolidated as at	
	June 30, 2016	Dec 31, 2015	June 30, 2016	Dec 31, 2015	June 30, 2016	Dec 31, 2015	June 30, 2016	Dec 31, 2015	June 30, 2016	Dec 31, 2015	June 30, 2016	Dec 31, 2015
Assets	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Current assets												
Cash and cash equivalents	13,011	16,733	2,115	2,207	4,674	16,090	1,493	1,179	5,762	3,645	27,055	39,854
Accounts receivable	39,986	36,755	1,672	2,426	11,203	7,517	61	199	181	218	53,103	47,115
Inventories	3,692	3,259	498	494	1,761	1,314	-	-	-	-	5,951	5,067
Deposits and prepaid expenses	1,092	662	51	87	90	92	26	10	383	218	1,642	1,069
Income taxes recoverable	(112)	487	-	-	1,082	879	-	-	-	-	970	1,366
	57,669	57,896	4,336	5,214	18,810	25,892	1,580	1,388	6,326	4,081	88,721	94,471
Non-current assets												
Property held for development	-	-	-	-	-	-	985	985	-	-	985	985
Income-producing properties	-	-	-	-	-	-	11,781	11,878	-	-	11,781	11,878
Loan receivable	(32)	(136)	(986)	(1,000)	39	207	-	-	1,195	1,185	216	256
Investment in joint venture	-	-	-	-	-	-	3,685	3,970	-	-	3,685	3,970
Property, plant and equipment	9,048	9,618	7,539	7,576	4,309	4,137	-	-	67	68	20,963	21,399
Employee share purchase plan	-	-	-	-	-	-	-	-	189	247	189	247
Goodwill and other intangible assets	28,062	28,598	8,825	9,803	26,011	26,561	64	81	4,752	4,052	67,714	69,095
	37,078	38,080	15,378	16,379	30,359	30,905	16,515	16,914	6,203	5,552	105,533	107,830
	94,747	95,976	19,714	21,593	49,169	56,797	18,095	18,302	12,529	9,633	194,254	202,301
Liabilities												
Current liabilities												
Operating loans	-	-	-	-	141	-	2,256	2,257	-	-	2,397	2,257
Accounts payable and accrued liabilities	15,568	16,807	361	493	2,727	1,484	119	284	306	346	19,081	19,414
Dividends payable	-	-	-	-	-	-	-	-	1,085	1,087	1,085	1,087
Deferred contract revenue	4,860	5,759	-	-	-	-	-	-	-	-	4,860	5,759
Due to (from) inter-company	-	-	795	795	(729)	(752)	(11,527)	(11,527)	11,461	11,484	-	-
Current portion of contingent consideration	423	423	-	-	-	-	-	-	-	-	423	423
Current portion of notes payable	1,302	1,325	136	129	3,201	3,657	17	17	-	-	4,656	5,128
	22,153	24,314	1,292	1,417	5,340	4,389	(9,135)	(8,969)	12,852	12,917	32,502	34,068
Non-current liabilities												
Notes payable	468	776	253	174	857	2,325	435	443	-	-	2,013	3,718
Deferred income tax liability	2,011	3,956	1,256	725	1,573	1,534	413	398	(4,024)	(5,201)	1,229	1,412
Contingent consideration	127	127	-	-	-	-	-	-	-	-	127	127
Security deposits	-	-	-	-	-	-	47	47	-	-	47	47
	2,606	4,859	1,509	899	2,430	3,859	895	888	(4,024)	(5,201)	3,416	5,304
	24,759	29,173	2,801	2,316	7,770	8,248	(8,240)	(8,081)	8,828	7,716	35,918	39,372
Shareholders' Equity												
Preferred securities	-	-	-	-	-	-	-	-	102,161	102,120	102,161	102,120
Series "A" shares	-	-	-	-	-	-	-	-	570	570	570	570
Common shares	9	12	-	-	51,000	64,499	20,064	20,464	(53,220)	(67,366)	17,853	17,609
Private yield securities	-	-	-	-	-	-	-	-	23,922	23,922	23,922	23,922
Warrants - private yield securities	-	-	-	-	-	-	-	-	1,887	1,887	1,887	1,887
Preferred trust units	-	-	-	-	32,877	32,877	-	-	(32,877)	(32,877)	-	-
Contributed surplus	-	-	-	-	-	-	(958)	(958)	2,080	3,082	1,122	2,124
Non-controlling interests	17,831	17,523	160	311	9,640	9,613	-	-	-	-	27,631	27,447
Retained earnings (deficit)	52,148	49,268	16,753	18,966	(52,118)	(58,440)	7,229	6,877	(40,822)	(29,421)	(16,810)	(12,750)
	69,988	66,803	16,913	19,277	41,399	48,549	26,335	26,383	3,701	1,917	158,336	162,929
	94,747	95,976	19,714	21,593	49,169	56,797	18,095	18,302	12,529	9,633	194,254	202,301

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	Infrastructure				Energy				Diversified				Real Estate				Corporate				Consolidated			
	Three months ended		Six months ended		Three months ended		Six months ended		Three months ended		Six months ended		Three months ended		Six months ended		Three months ended		Six months ended		Three months ended		Six months ended	
	June 30,		June 30,		June 30,		June 30,		June 30,		June 30,		June 30,		June 30,		June 30,		June 30,		June 30,		June 30,	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Revenue	34,140	30,783	65,019	58,599	1,624	2,534	3,340	5,381	12,216	10,073	19,570	17,405	290	348	585	769	-	-	-	-	48,270	43,738	88,514	82,154
Operating expenses	30,424	26,517	56,645	51,362	1,328	1,919	2,857	3,329	9,870	8,482	16,316	14,813	155	463	255	662	1,354	1,089	2,350	2,027	43,131	38,470	78,423	72,193
Income (loss) from operations	3,716	4,266	8,374	7,237	296	615	483	2,052	2,346	1,591	3,254	2,592	135	(115)	330	107	(1,354)	(1,089)	(2,350)	(2,027)	5,139	5,268	10,091	9,961
Accretion expense	-	-	-	-	-	-	-	-	-	1	-	4	-	-	-	-	-	-	-	-	-	1	-	4
Amortization of income producing properties	-	-	-	-	-	-	-	-	-	-	-	-	48	50	97	98	-	-	-	-	48	50	97	98
Amortization of property, plant & equipment	570	587	1,127	1,110	167	111	324	218	241	262	462	513	-	-	-	-	5	6	10	12	983	966	1,923	1,853
Amortization of intangible assets	270	869	539	1,889	137	138	275	275	278	296	555	592	-	-	-	-	3	1	5	2	688	1,304	1,374	2,758
Securities-based compensation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	223	159	325	694	223	159	325	694
Loss (gain) on sale of equipment	34	83	28	80	-	11	(12)	25	(4)	(3)	(15)	(3)	-	-	-	-	-	-	-	-	30	91	1	102
	874	1,539	1,694	3,079	304	260	587	518	515	556	1,002	1,106	48	50	97	98	231	166	340	708	1,972	2,571	3,720	5,509
Income (loss) before finance	2,842	2,727	6,680	4,158	(8)	355	(104)	1,534	1,831	1,035	2,252	1,486	87	(165)	233	9	(1,585)	(1,255)	(2,690)	(2,735)	3,167	2,697	6,371	4,452
Finance income	91	13	178	27	2	8	3	13	-	-	-	-	-	-	-	-	1	21	2	52	94	42	183	92
Finance expense	(25)	(40)	(53)	(90)	(21)	(4)	(55)	(6)	(58)	(109)	(127)	(234)	(26)	(20)	(51)	(50)	14	1	38	(101)	(116)	(172)	(248)	(481)
	66	(27)	125	(63)	(19)	4	(52)	7	(58)	(109)	(127)	(234)	(26)	(20)	(51)	(50)	15	22	40	(49)	(22)	(130)	(65)	(389)
Share of joint venture loss	-	-	-	-	-	-	-	-	-	-	-	-	240	(46)	187	(150)	-	-	-	-	240	(46)	187	(150)
Other income	-	-	-	-	-	-	-	-	-	1,167	-	1,167	-	-	-	-	-	-	-	-	-	1,167	-	1,167
Income (loss) from continuing operations before taxes	2,908	2,700	6,805	4,095	(27)	359	(156)	1,541	1,773	2,093	2,125	2,419	301	(231)	369	(191)	(1,570)	(1,233)	(2,650)	(2,784)	3,385	3,688	6,493	5,080
Income tax expense (recovery)																								
Current	(237)	206	85	476	-	-	-	-	75	32	157	63	-	-	3	-	-	-	-	-	(162)	238	245	539
Deferred	-	198	(1,945)	198	-	73	531	(92)	-	45	39	45	-	6	15	6	-	(839)	1,177	(1,013)	-	(517)	(183)	(856)
	(237)	404	(1,860)	674	-	73	531	(92)	75	77	196	108	-	6	18	6	-	(839)	1,177	(1,013)	(162)	(279)	62	(317)
Net income (loss) from continuing operations	3,145	2,296	8,665	3,421	(27)	286	(687)	1,633	1,698	2,016	1,929	2,311	301	(237)	351	(197)	(1,570)	(394)	(3,827)	(1,771)	3,547	3,967	6,431	5,397
Loss from discontinued operations	-	-	-	-	-	(2,785)	-	(4,155)	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,785)	-	(4,155)
Net income (loss) and comprehensive income (loss)	3,145	2,296	8,665	3,421	(27)	(2,499)	(687)	(2,522)	1,698	2,016	1,929	2,311	301	(237)	351	(197)	(1,570)	(394)	(3,827)	(1,771)	3,547	1,182	6,431	1,242
Net Income (loss) and comprehensive income (loss) attributable to:																								
Shareholders	2,347	1,660	6,982	2,515	(88)	(2,191)	(709)	(1,869)	1,211	1,818	1,408	2,000	301	(237)	351	(197)	(1,570)	(394)	(3,827)	(1,771)	2,201	656	4,205	678
Non-controlling interests	798	636	1,683	906	61	(308)	22	(653)	487	198	521	311	-	-	-	-	-	-	-	-	1,346	526	2,226	564
	3,145	2,296	8,665	3,421	(27)	(2,499)	(687)	(2,522)	1,698	2,016	1,929	2,311	301	(237)	351	(197)	(1,570)	(394)	(3,827)	(1,771)	3,547	1,182	6,431	1,242

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8. NON-CONTROLLING INTERESTS

Non-controlling interests consist of the capital contributions and accumulated earnings of the minority partners in significant subsidiaries of Mosaic, less distributions to minority partners in those entities.

During the three months ended June 30, 2016, \$1,346 (2015 - \$526) of Mosaic's net income was allocated to non-controlling interests and distributions of \$1,206 (2015 - \$480) were paid to holders of the non-controlling interests.

During the six months ended June 30, 2016, \$2,226 (2015 - \$564) of Mosaic's net income was allocated to non-controlling interests and distributions of \$2,068 (2015 - \$480) were paid to holders of the non-controlling interests.

9. REVENUE

	Three months ended		Six months ended	
	June 30,		June 30,	
	2016	2015	2016	2015
	\$	\$	\$	\$
Contract revenue	33,999	30,372	63,735	57,856
Sale of goods	3,119	3,595	5,633	6,388
Rendering of services	10,863	9,424	18,562	17,142
Revenue related to income-producing properties	289	347	584	768
	48,270	43,738	88,514	82,154

10. PERSONNEL EXPENSES

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

	Three months ended		Six months ended	
	June 30,		June 30,	
	2016	2015	2016	2015
	\$	\$	\$	\$
Salaries	4,401	4,013	8,348	8,312
Securities-based compensation	223	159	325	694
	4,624	4,172	8,673	9,006

11. FINANCE INCOME AND EXPENSE

	Three months ended		Six months ended	
	June 30,		June 30,	
	2016	2015	2016	2015
	\$	\$	\$	\$
Finance income				
Interest income on cash and cash equivalents	94	42	183	92
Finance expense				
Interest expense	(116)	(172)	(248)	(481)
	(22)	(130)	(65)	(389)

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12. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash operating working capital:

	Three months ended		Six months ended	
	June 30,		June 30,	
	2016	2015	2016	2015
	\$	\$	\$	\$
Accounts receivable	(9,979)	761	(6,050)	13,464
Inventories	(1,153)	(745)	(884)	47
Deposits and prepaid expenses	(71)	(34)	(573)	(224)
Accounts payable & accrued liabilities	2,024	(1,852)	(334)	(10,713)
Dividends payable	-	-	(2)	195
Income taxes recoverable	323	1,658	396	810
Deferred contract revenue	(56)	(1,149)	(899)	(1,629)
	(8,912)	(1,361)	(8,346)	1,950

13. RELATED PARTY TRANSACTIONS

Rent of \$198 for the three months ended June 30, 2016 (2015 - \$328) and \$396 for the six months ended June 30, 2016 (2015 - \$656) for space occupied by certain of Mosaic's subsidiaries was paid to entities controlled by minority partners within Mosaic's subsidiaries. These leasing arrangements are ongoing.

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, 2016.

14. COMMITMENTS AND CONTINGENT LIABILITIES

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

<u>Year</u>	<u>Amount</u>
	\$
2016	654
2017	1,107
2018	604
2019	477
2020 and after	-
	<u>2,842</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

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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.

15. DISCONTINUED OPERATIONS

During the fourth quarter of 2015, the Company completed the sale of its 70% interest in Streamline and closed the sale of substantially all of the assets of Polar. As a result of these transactions, the Company's prior period results are presented with discontinued operations, which include the operational results of Streamline and Polar. The net loss on the disposals was recognized in the fourth quarter of 2015 and is therefore excluded from the table below. The following summarizes the results of the discontinued operations in the comparative period ended June 30, 2015 (nil for the current period).

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	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
	\$	\$	\$	\$
Streamline				
Revenue	-	6,132	-	13,206
Operating expenses	-	5,758	-	12,979
Income from operations	-	374	-	227
Amortization of property, plant & equipment	-	922	-	1,847
Amortization of intangible assets	-	2	-	4
Finance expense	-	6	-	13
(Gain) loss on sale property, plant & equipment	-	(3)	-	18
	-	927	-	1,882
Loss before tax	-	(553)	-	(1,655)
Income tax expense attributable to the corporate entity	-	(662)	-	(825)
Loss from discontinued operations - Streamline (attributable to shareholders and NCI)	-	(1,215)	-	(2,480)
Polar				
Revenue	-	195	-	509
Operating expenses	-	366	-	729
Loss from operations	-	(171)	-	(220)
Amortization of property, plant & equipment	-	10	-	20
Amortization of intangible assets	-	43	-	87
Impairment loss	-	1,346	-	1,346
	-	1,399	-	1,453
Loss before tax	-	(1,570)	-	(1,673)
Income tax expense attributable to the corporate entity	-	-	-	(2)
Loss from discontinued operations - Polar (attributable to shareholders and NCI)	-	(1,570)	-	(1,675)
Total				
Loss from discontinued operations	-	(2,785)	-	(4,155)

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Cash flows from discontinued operations	Three months ended		Six months ended	
	June 30,		June 30,	
	2016	2015	2016	2015
	\$	\$	\$	\$
Streamline				
Net cash inflows from operating activities	-	1,486	-	8,409
Net cash inflows from investing activities	-	1	-	56
Net cash outflows from financing activities	-	(307)	-	(3,989)
Net cash inflows	-	1,180	-	4,476
Polar				
Net cash outflows from operating activities	-	(54)	-	(177)
Net cash outflows from investing activities	-	-	-	(5)
Net cash outflows from financing activities	-	(6)	-	(13)
Net cash outflows	-	(60)	-	(195)
Total				
Net cash inflows from operating activities	-	1,432	-	8,232
Net cash inflows from investing activities	-	1	-	51
Net cash outflows from financing activities	-	(313)	-	(4,002)
Net cash inflows	-	1,120	-	4,281

16. SUBSEQUENT EVENT

On August 2, 2016 Mosaic acquired an 80% partnership interest in the business being carried on by Mackow Industries ("Mackow"). The remaining 20% was retained by key management of Mackow. Mosaic acquired this interest because of the expected consistent cash flow generated, the stable nature of the mass transit industry in which Mackow participates and to further diversify its portfolio. Mosaic's cost of the acquisition was \$29,500, subject to typical post-closing adjustments, and was funded through a combination of cash (\$22,750) and vendor take-back financing (\$6,750). The vendor take-back financing is to be paid out by Mosaic over a three-year period at a commercial rate of interest. In addition, there is a two-year earn out provision to be paid to the vendors if the business meets specified targets. Management is in the process of determining the fair value of the earn out provisions and the assets acquired and liabilities assumed. Therefore, an allocation of the purchase price has yet to be made. Mackow will be included in the Diversified segment for reporting purposes.

The cash component of the purchase price was financed through Mosaic's previously undrawn acquisition line of credit facility. This financing would have resulted in a technical non-compliance of the fixed charge coverage provisions of the facility, however the financial institution waived Mosaic's non-compliance until December 31, 2016 and advanced funds to complete the acquisition.