Mosaic Capital Corporation

Condensed Interim Consolidated Financial Statements
For the Nine Months Ended September 30, 2015

(Unaudited)

MOSAIC CAPITAL CORPORATION

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015

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

As at:	Notes	September 30, 2015	December 31, 2014
Assets		$	$
Current assets			
Cash and cash equivalents		22,375	30,174
Accounts receivable		70,913	75,573
Inventories		6,470	6,780
Deposits and prepaid expenses		1,238	1,228
Income taxes recoverable		1,341	-
		102,337	113,755
Non-current assets			
Property held for development		985	985
Income-producing properties		11,927	11,782
Loan receivable		262	68
Investment in joint venture		4,973	5,075
Property, plant & equipment		29,220	34,520
Employee share purchase plan		318	523
Goodwill and other intangible assets		71,206	76,704
		118,891	129,657
		221,228	243,412
Liabilities			
Current liabilities			
Operating loans		3,270	26,624
Accounts payable & accrued liabilities		24,570	32,356
Dividends payable		1,087	887
Income taxes payable		-	235
Deferred contract revenue	8	4,700	4,152
Current portion of contingent consideration		1,590	1,590
Current portion of mortgage payable		-	1,350
Current portion of notes payable		5,894	6,731
		41,111	73,925
Non-current liabilities			
Notes payable		5,065	8,749
Deferred income tax liability		459	1,227
Contingent consideration		1,715	2,881
Security deposits		47	47
		7,286	12,904
		48,397	86,829
Shareholders' Equity			
Preferred securities		102,185	102,526
Series "A" shares		270	270
Common shares		17,354	17,016
Private yield securities	9	23,922	-
Warrants - common shares		250	250
Warrants - private yield securities	9	1,887	-
Contributed surplus		1,913	2,175
Non-controlling interests	12	35,546	35,040
Deficit		(10,496)	(694)
		172,831	156,583
		221,228	243,412

Commitments and contingent liabilities (Note 18)
Subsequent events (Note 19)

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 September 30,		Nine months ended September 30,	
		2015	2014	2015	2014
	Notes	$	$	$	$
Revenue	13	55,182	47,992	151,051	105,851
Operating expenses		49,812	40,011	135,713	88,934
Income from operations		5,370	7,981	15,338	16,917
Accretion expense		-	12	4	49
Amortization of income-producing properties		48	15	146	43
Amortization of property, plant & equipment		1,842	1,493	5,562	2,742
Amortization of intangible assets		1,305	607	4,154	1,760
Securities-based compensation		176	182	870	694
(Gain) on partial disposition of interest in subsidiary		-	(1,414)	-	(1,414)
Loss on sale of property, plant & equipment		500	15	620	9
		3,871	910	11,356	3,883
Income before finance		1,499	7,071	3,982	13,034
Finance income	15	21	64	113	128
Finance expense	15	(201)	(156)	(695)	(420)
		(180)	(92)	(582)	(292)
Share of joint venture income (loss)		50	(86)	(100)	(86)
Other income	6	-	-	1,167	-
Impairment (loss)	7	-	-	(1,346)	-
Income from continuing operations before income taxes		1,369	6,893	3,121	12,656
Income tax expense (recovery)					
Current		(114)	450	425	1,471
Deferred		(485)	1,043	(514)	108
		(599)	1,493	(89)	1,579
Net income from continuing operations		1,968	5,400	3,210	11,077
Net income and comprehensive income		1,968	5,400	3,210	11,077
Net income and comprehensive income attributable to:					
Shareholders		1,353	4,031	2,031	8,633
Non-controlling interests	12	615	1,369	1,179	2,444
		1,968	5,400	3,210	11,077
Earnings per share:					
Net income (loss) per common share from continuing operations					
Basic	10	(0.23)	0.19	(0.90)	0.27
Diluted	10	(0.23)	0.17	(0.90)	0.24
Net income (loss) per common share					
Basic	10	(0.23)	0.19	(0.90)	0.27
Diluted	10	(0.23)	0.17	(0.90)	0.24

See accompanying Notes to the condensed interim consolidated financial statements.

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

	Notes	Number of 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, 2014		7,442	69,042	42	270	7,943	14,529	-	-	-	-	-	-	1,035	84,876	15,814	(1,939)	98,751
Issue of preferred securities		2,524	28,526	-	-	-	-	-	-	-	-	-	-	-	28,526	-	-	28,526
Warrants		-	-	-	-	-	-	-	-	631	250	-	-	-	250	-	-	250
Restricted security unit issuances		-	-	-	-	26	-	-	-	-	-	-	-	-	-	-	-	-
Security transaction costs		-	(1,767)	-	-	-	-	-	-	-	-	-	-	-	(1,767)	-	-	(1,767)
Distributions to non-controlling interests	12	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,420)	-	(1,420)
Non-controlling interest acquisition		-	-	-	-	-	-	-	-	-	-	-	-	-	-	13,149	-	13,149
Dividends declared on preferred securites		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(6,444)	(6,444)
Dividends declared on series "A" shares		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(31)	(31)
Dividends declared on common shares		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,685)	(1,685)
Securities-based compensation		-	-	-	-	-	-	-	-	-	-	-	-	442	442	-	-	442
Net income and comprehensive income		-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,444	8,633	11,077
Balance at September 30, 2014		9,966	95,801	42	270	7,969	14,529	-	-	631	250	-	-	1,477	112,327	29,987	(1,466)	140,848
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	9	-	-	-	-	-	-	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, net of income taxes		-	(33)	-	-	-	(8)	-	(659)	-	-	-	(52)	-	(752)	-	-	(752)
Distributions to non-controlling interests	12	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,247)	-	(1,247)
Contributions by non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	-	-	-	574	-	574
Dividends declared on preferred securites		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(7,915)	(7,915)
Dividends declared on series "A" shares		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(31)	(31)
Dividends declared on common shares		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,549)	(2,549)
Distributions declared on private yield securities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,476)	(1,476)
Adjustment on reorganization of subsidiary		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	138	138
Securities-based compensation		-	-	-	-	-	-	-	-	-	-	-	-	(262)	(262)	-	-	(262)
Net income and comprehensive income		-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,179	2,031	3,210
Balance at September 30, 2015		10,531	102,185	42	270	8,257	17,354	27	23,922	631	250	27	1,887	1,913	147,781	35,546	(10,496)	172,831

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 September 30,		Nine months ended September 30,	
		2015	2014	2015	2014
	Notes	$	$	$	$
Operating activities					
Income for the period attributable to shareholders		1,353	4,031	2,031	8,633
Adjustments for:					
Accretion expense		-	12	4	49
Amortization of income-producing properties		48	15	146	43
Amortization of property, plant & equipment		1,842	1,493	5,562	2,742
Amortization of intangible assets		1,305	607	4,154	1,760
Securities-based compensation		176	182	870	694
Deferred income tax expense (recovery)		(485)	1,043	(514)	108
Gain on partial disposition of interest in subsidiary		-	(1,414)	-	(1,414)
Share of joint venture (income) loss		(50)	86	100	86
Loss on sale of property, plant & equipment		500	15	620	9
Other (income)	6	-	-	(1,167)	-
Impairment loss	7	-	-	1,346	-
Non-controlling interests	12	615	1,369	1,179	2,444
Cash provided prior to changes in non-cash working capital		5,304	7,439	14,331	15,154
Changes in non-cash working capital	16	(4,539)	(3,649)	(2,589)	(3,012)
		765	3,790	11,742	12,142
Investing activities					
Purchase of intangible assets		(8)	(3)	(12)	(11)
Purchase of property, plant & equipment		(2,300)	(693)	(4,665)	(2,574)
Business combination		-	(18,000)	-	(34,740)
Proceeds on disposal of property, plant & equipment		3,646	49	3,910	104
Additions to property held for development		-	(10)	-	(1,061)
Additions to income-producing properties		(4)	(142)	(291)	(204)
Employee share purchase plan		117	56	205	89
		1,451	(18,743)	(853)	(38,397)
Financing activities					
Proceeds from notes payable		292	-	758	674
Proceeds from operating loans		-	13,532	-	14,555
Repayment of operating loans		(564)	(655)	(25,859)	(655)
Distributions paid to non-controlling interests	12	(767)	-	(1,247)	(1,420)
Issue of preferred securities		-	-	-	28,526
Issue of warrants		-	-	-	250
Issuance of private yield securities	9	-	-	24,581	-
Issuance of warrants - private yield securities	9	-	-	1,939	-
Dividends paid to preferred security holders		(2,141)	(1,965)	(6,300)	(4,706)
Dividends paid to preferred security holders for DRIP		(496)	(524)	(1,615)	(1,738)
Dividends paid to series "A" shareholders		(10)	(10)	(31)	(31)
Distributions paid to private yield security holders		(613)	-	(1,272)	-
Security transaction costs		-	(244)	(1,018)	(1,767)
Restricted security unit purchases		-	-	(795)	-
Dividends paid to common shareholders		(858)	(671)	(2,549)	(1,685)
Repayment of mortgages payable		-	(25)	-	(74)
Repayment of notes payable		(1,699)	(1,346)	(5,280)	(3,194)
		(6,856)	8,092	(18,688)	28,735
Increase (decrease) in cash and cash equivalents		(4,640)	(6,861)	(7,799)	2,480
Cash and cash equivalents, beginning of period		27,015	27,207	30,174	17,866
Cash and cash equivalents, end of period		22,375	20,346	22,375	20,346
Supplementary cash flow information:					
Interest received		21	64	113	128
Interest paid		201	156	695	420
Income taxes paid		181	457	2,036	1,370

See accompanying Notes to the condensed interim consolidated financial statements.

(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 that have attributes similar to its existing businesses.

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

As at September 30, 2015, Mosaic owns and controls the following significant subsidiaries:

	Ownership interest	
Significant Subsidiaries	Sep. 30, 2015	Dec. 31, 2014
Printing Unlimited L.P. ("Printing Unlimited")	100.00%	100.00%
Allied Cathodic Services L.P. ("Allied Cathodic")	80.00%	80.00%
Polar Geomatic Solutions L.P. ("Polar")	90.00%	90.00%
Remote Waste L.P. ("Remote Waste")	96.00%	98.00%
Ambassador Mechanical Corp. ("Ambassador")	75.00%	75.00%
Kendall's Supply Ltd. ("Kendall's Supply")	89.00%	90.00%
Industrial Scaffold Services L.P. ("Industrial Scaffold")	67.50%	67.50%
Streamline Mechanical L.P. & Streamline Projects L.P. ("Streamline")	70.00%	70.00%
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.

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

2. BASIS OF PREPARATION

a. Statement of compliance

These unaudited condensed interim consolidated financial statements ("Interim Financial Statements") have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. 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, 2014.

The Interim Financial Statements were approved by the Company's board of directors on November 25, 2015.

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.

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, 2014, with the exception noted below.

Private yield securities

In February and March 2015, the Company issued twenty-six thousand five hundred and twenty units at a price per unit of one thousand dollars for aggregate gross proceeds of $26,520. Each unit is comprised of one private yield security of Mosaic and one private yield security purchase warrant. The identification and valuation of the equity and liability components of the private yield securities and the accounting for distributions thereon is based on management’s consideration of the terms set out in the trust indenture for the timing of required principal and interest payments and the Company’s option to settle redemption requests through the issuance of a fixed number of preferred securities.

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 – Disclosures

IFRS 9 represents the first phase of the IASB's replacement of IAS 39, Financial Instruments. IFRS 9 introduces new requirements for classifying and measuring financial assets and financial liabilities. The IASB also recently introduced amendments related to hedge accounting. The effective date for IFRS 9 is required to be applied on interim periods beginning on or after January 1, 2018, with early adoption permitted. The Company is evaluating the impact of this standard on its financial statements.

IFRS 15, Revenue from Contracts with Customers

IFRS 15, Revenue from contracts with customers was issued by the IASB in May 2014 to provide a single revenue model to use in the recognition of revenue from contracts with customers. The new standard requires entities to recognize revenue in a manner that reflects the payments expected to be received by the entities in exchange for the provision of goods or services. It also provides improved guidance for recognition, measurement and disclosure of service revenue and multiple element arrangements.

IFRS 15 is effective for financial periods beginning on or after January 1, 2018. The Company is evaluating the impact of this standard on its financial statements.

4. SEASONALITY OF OPERATIONS

During spring break-up (which occurred earlier than usual in 2015), typically coinciding with the Company's second quarter, there are extended road closures and restrictions that limit the Company's oil and gas service businesses from accessing worksites. This temporarily reduces services provided by the Company. There is also the possibility of severe weather from December through March, which could hamper construction activity, and may affect a number of the Company's subsidiaries.

5. DETERMINATION OF FAIR VALUES

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

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, mortgages payable and contingent consideration.

The fair value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, dividends payable and operating loans approximates their carrying value due to their short term to maturity. Notes and mortgages 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. Contingent consideration is classified as a liability and is re-measured to fair value at each reporting date until the contingency is resolved. The changes in fair value are recognized in income. The fair value of the contingent consideration is determined by applying probability adjusted key scenarios to the terms of the contingent consideration as set out in the related purchase agreements.

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.

(in thousands, except per share amounts)

Common share options, series "A" share options, common share warrants and private yield security warrants

The fair value of options and warrants to purchase common shares, series "A" shares, preferred securities and 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, the contingent consideration 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.

The change in the fair value of Mosaic’s Level 3 financial instruments for the periods ended September 30, 2015 and December 31, 2014 are as follows:

Description	Contingent Consideration
Balance at December 31, 2014	$4,472
Fair value adjustment	(1,167)
Balance at September 30, 2015	$3,305

6. BUSINESS COMBINATION

Effective June 1, 2014, Mosaic completed the acquisition of a 70% interest in the business now carried on by Streamline by acquiring the operating assets and liabilities of two related parties, Streamline Mechanical (1981) Ltd. and Streamline Projects Inc. (the "Acquisition"). The Acquisition was completed as part of Mosaic's ongoing business plan to make long-term investments in mid-market companies.

Contingent consideration of $3,500 was recognized at fair value as of the date of acquisition and is associated with certain future results being attained by Streamline for each of three consecutive 12-month periods after the date of acquisition. Contingent consideration is classified as a liability and is re-measured to fair value at each reporting date until the contingency is resolved. Changes in fair value are recognized in income. The fair value of the contingent consideration was determined by using the targets from the purchase agreement and applying probability adjusted key scenarios. As at September 30, 2015, the Company re-measured the fair value of the contingent consideration based on actual results to date and as a result, $1,167 was recognized in income for the reduction of the liability as no amounts were payable for year one of the three consecutive 12-month periods after the date of acquisition. This income recognition was recorded on June 30, 2015.

7. IMPAIRMENT LOSS

During the nine months ended September 30, 2015, certain cash generating units (“CGUs”) have been experiencing decreasing revenue and profits as a result of decreasing oil prices and the overall economic downturn in Western Canada.

Management considered impairment indicators in accordance with IAS 36, *Impairment of Assets*. For those segments where impairment indicators were identified, management performed discounted cash flow analysis utilizing key assumptions such as growth rate, weighted average cost of capital rate as well as other strategic development plans. When applicable, potential market transactions were also considered when determining the fair value of the segment.

After impairment assessment, the Company recorded an impairment loss of $1,346 on its intangible assets in relation to Polar, an entity under the Energy Segment. Impairment was based on the difference between the fair value less cost to sell and the estimated recoverable amount. The estimated recoverable amount was based on a recent market transaction which is further discussed at Note 19.

The majority of the impairment loss relates to Polar’s intellectual property and customer relations. Management has concluded that the value of such intangible assets is $nil as of September 30, 2015 based on the long-term prospects for the CGU and the fact that the CGU is not currently profitable.

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(in thousands, except per share amounts)

8. CONTRACTS

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

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
	$	$	$	$
Earned revenue on projects to date (included in revenue)	38,337	12,581	96,193	36,356
Less: billings on projects to date (included in operating expenses)	(42,363)	(16,693)	(100,219)	(40,468)
Net financial position	(4,026)	(4,112)	(4,026)	(4,112)

	As at September 30,		As at September 30,	
	2015	2014	2015	2014
Reported as:				
Costs in excess of billings (work in progress)	674	431	674	431
Deferred contract revenue	(4,700)	(4,543)	(4,700)	(4,543)
	(4,026)	(4,112)	(4,026)	(4,112)

Work in progress is included in inventories.

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

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
	$	$	$	$
Contract revenue (included in revenue)	38,337	12,581	96,193	36,356
Contract expense (included in operating expenses)	(31,044)	(10,071)	(76,164)	(28,224)
Contract profit	7,293	2,510	20,029	8,132

9. PRIVATE YIELD SECURITIES AND WARRANTS

During February and March 2015, the Company issued twenty-six thousand five hundred and twenty units at a price per unit of one thousand dollars for aggregate gross proceeds of $26,520. Each unit is comprised of one private yield security of Mosaic and one private yield security purchase warrant. Transaction costs (net of income taxes) of $711 were netted against the proceeds.

Each private yield security entitles the holder to receive an annual cumulative interest distribution of $92.50. The Company may elect to defer interest payments, subject to mandatory payment prior to: any dividends declared on securities subordinate to the private yield securities; redemptions of any securities subordinate to the private yield securities; distributions of assets upon liquidation of Mosaic; and any distributions on securities ranking pari passu with the private yield securities. The private yield securities are unsecured and subordinated obligations of Mosaic ranking senior to the common shares of the Company but pari passu with the outstanding Mosaic preferred securities.

The private yield securities are not publicly listed, non-voting and due upon maturity, 145 years after date of issuance, or upon liquidation, dissolution or bankruptcy of Mosaic.

Following the first anniversary of their issuance, each private yield security entitles the holder to exchange on redemption the private yield security into 92.5 (absolute terms) Mosaic preferred securities or cash (being one thousand dollars together with all accrued and unpaid interest on such security), at the Company’s option.

Following the second anniversary of their issuance, each private yield security is retractable at the Company's option upon payment of the greater of one thousand dollars and 92.5 times the market price of a Mosaic preferred security.

Each warrant is exercisable into one private yield security upon payment of one thousand dollars. The holders can exercise their warrants on a staged basis of 25% from and after the date of issuance, 25% from and after the first anniversary of issuance, 25% from and after the second anniversary of issuance and the final 25% from and after the third anniversary of issuance. This exercise right is cumulative, and has an expiry date of January 31, 2020.

The net proceeds (net of issue costs) of $25,809 from the issuance of the units were reported as follows:

a) Debt:

The net present value ("NPV") of contractual mandatory cash payments. As no cash payments are contractually mandatory until maturity at end of the 145th year from issue, NPV is negligible thereby resulting in no allocation of net proceeds to debt;

b) Warrants:

Fair value of $1,887 using a Black-Scholes valuation model;

c) Equity - private yield securities:

The remainder of net proceeds of $23,922 was allocated to the value of the Company's option to settle redemption requests with equity.

The principal amount of the private yield securities will be recognized as debt by annual accretion over the life of the securities.

10. 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").

(in thousands, except per share amounts)

	Three months ended September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Net income from continuing operations	**$ 1,968**	**$ 5,400**	**$ 3,210**	**$ 11,077**
Less: Non-controlling interests	(615)	(1,369)	(1,179)	(2,444)
Less: Preferred security dividends declared	(2,637)	(2,489)	(7,915)	(6,444)
Less: Private yield securities distributions declared	(613)	-	(1,476)	-
Less: Series "A" share dividends declared	(10)	(10)	(31)	(31)
Net income (loss) from continuing operations for common shareholders	(1,907)	1,532	(7,391)	2,158
Weighted average number of common shares	8,257	7,962	8,234	7,950
Basic EPS from continuing operations	**(0.23)**	**0.19**	**(0.90)**	**0.27**
Basic EPS	**(0.23)**	**0.19**	**(0.90)**	**0.27**
Average number of shares for options	-	222	-	222
Average number of shares for warrants	-	631	-	631
Average number of shares for RSUs	-	201	-	201
Diluted average number of common shares	8,257	9,016	8,234	9,004
Diluted EPS from continuing operations	**(0.23)**	**0.17**	**(0.90)**	**0.24**
Diluted EPS	**(0.23)**	**0.17**	**(0.90)**	**0.24**

For the three and nine months ended September 30, 2015, there were 222 options (year ended December 31, 2014 – $nil) 631 warrants (year ended December 31, 2014 – $nil) and 220 RSUs (year ended December 31, 2014 – $nil) considered anti-dilutive.

A dividend of $0.10 per common share was paid on March 31, 2015, June 30, 2015 and September 30, 2015 respectively (2014 - $0.06 per common share was paid on March 31 and June 30, and $0.08 per common share was paid on September 30).

11. 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 the senior executives.

Mosaic now 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, Polar, Remote Waste and Streamline.

- 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.

Business units previously reported under the industrial segment are now reported under three new segments, namely Infrastructure, Energy and Diversified.

Changes in reporting segments are applied retrospectively therefore prior period segment information has been amended to be consistent with current period presentation and reports provided to the chief operating decision maker. There is no impact on the consolidated results of the Company and there are no changes to the Company's accounting policies. The goodwill and indefinite life intangible assets previously monitored for impairment as part of the Industrial segment have been allocated to the respective new segments.

The "Corporate" 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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Mosaic Capital Corporation

Notes to the Condensed Interim Consolidated Financial Statements

For the Nine Months Ended September 30, 2015

(Unaudited)

(in thousands, except per share amounts)

	Infrastructure as at		Energy as at		Diversified as at		Real Estate as at		Corporate as at		Consolidated as at	
	Sep 30, 2015	Dec 31, 2014	Sep 30, 2015	Dec 31, 2014	Sep 30, 2015	Dec 31, 2014	Sep 30, 2015	Dec 31, 2014	Sep 30, 2015	Dec 31, 2014	Sep 30, 2015	Dec 31, 2014
Assets	$	$	$	$	$	$	$	$	$	$	$	$
Current assets												
Cash and cash equivalents	6,346	8,103	8,793	3,246	4,646	6,455	452	254	2,138	12,116	22,375	30,174
Accounts receivable	50,091	45,622	11,050	21,204	9,298	8,287	333	249	141	211	70,913	75,573
Inventories	3,001	3,063	1,978	2,285	1,491	1,432	-	-	-	-	6,470	6,780
Deposits and prepaid expenses	739	660	173	210	136	70	36	67	154	221	1,238	1,228
Income taxes recoverable	625	-	-	-	716	-	-	-	-	-	1,341	-
	60,802	57,448	21,994	26,945	16,287	16,244	821	570	2,433	12,548	102,337	113,755
Non-current assets												
Property held for development	-	-	-	-	-	-	985	985	-	-	985	985
Income-producing properties	-	-	-	-	-	-	11,927	11,782	-	-	11,927	11,782
Loan receivable	(1,968)	-	(650)	68	45	-	-	-	2,835	-	262	68
Investment in joint venture	-	-	-	-	-	-	4,973	5,075	-	-	4,973	5,075
Property, plant and equipment	9,520	9,394	15,236	20,255	4,390	4,793	-	-	74	78	29,220	34,520
Employee share purchase plan	-	-	-	-	-	-	-	-	318	523	318	523
Goodwill and other intangible assets	28,776	31,534	13,641	15,490	26,866	27,753	86	97	1,837	1,830	71,206	76,704
	36,328	40,928	28,227	35,813	31,301	32,546	17,971	17,939	5,064	2,431	118,891	129,657
	97,130	98,376	50,221	62,758	47,588	48,790	18,792	18,509	7,497	14,979	221,228	243,412
Liabilities												
Current liabilities												
Operating loans	1,013	2,367	-	3,350	-	-	2,257	907	-	20,000	3,270	26,624
Accounts payable and accrued liabilities	18,980	23,714	2,577	4,259	2,597	3,261	127	83	289	1,039	24,570	32,356
Dividends payable	-	-	-	-	-	-	-	-	1,087	887	1,087	887
Deferred contract revenue	4,700	4,152	-	-	-	-	-	-	-	-	4,700	4,152
Income tax payable	-	617	-	-	-	(382)	-	-	-	-	-	235
Due to (from) inter-company	-	-	848	663	1,103	259	(11,627)	(12,030)	9,676	11,108	-	-
Current portion of mortgage payable	-	-	-	-	-	-	-	1,350	-	-	-	1,350
Current portion of notes payable	1,011	796	986	1,395	3,881	4,540	16	-	-	-	5,894	6,731
Current portion of contingent consideration	423	423	-	-	1,167	1,167	-	-	-	-	1,590	1,590
	26,127	32,069	4,411	9,667	8,748	8,845	(9,227)	(9,690)	11,052	33,034	41,111	73,925
Non-current liabilities												
Notes payable	1,323	1,657	241	781	3,053	5,835	448	476	-	-	5,065	8,749
Deferred income tax liability	2,411	3,167	1,317	361	1,534	1,505	398	348	(5,201)	(4,154)	459	1,227
Security deposits	-	-	-	-	-	-	47	47	-	-	47	47
Contingent consideration	548	548	-	-	1,167	2,333	-	-	-	-	1,715	2,881
	4,282	5,372	1,558	1,142	5,754	9,673	893	871	(5,201)	(4,154)	7,286	12,904
	30,409	37,441	5,969	10,809	14,502	18,518	(8,334)	(8,819)	5,851	28,880	48,397	86,829
Shareholders' Equity												
Preferred securities	-	-	-	-	-	-	-	-	102,185	102,526	102,185	102,526
Series "A" shares	-	-	-	-	-	-	-	-	270	270	270	270
Common shares	12	-	-	-	66,499	66,499	21,464	21,464	(70,621)	(70,947)	17,354	17,016
Private yield securities	-	-	-	-	-	-	-	-	23,922	-	23,922	-
Warrants	-	-	-	-	-	-	-	-	250	250	250	250
Private yield security warrants	-	-	-	-	-	-	-	-	1,887	-	1,887	-
Preferred trust units	-	-	-	-	32,877	32,877	-	-	(32,877)	(32,877)	-	-
Contributed surplus	-	-	-	-	-	-	(958)	(958)	2,871	3,133	1,913	2,175
Non-controlling interests	17,088	15,686	8,520	9,922	9,938	9,432	-	-	-	-	35,546	35,040
Retained earnings (deficit)	49,621	45,249	35,732	42,027	(76,228)	(78,536)	6,620	6,822	(26,241)	(16,256)	(10,496)	(694)
	66,721	60,935	44,252	51,949	33,086	30,272	27,126	27,328	1,646	(13,901)	172,831	156,583
	97,130	98,376	50,221	62,758	47,588	48,790	18,792	18,509	7,497	14,979	221,228	243,412

Mosaic Capital Corporation
Notes to the Condensed Interim Consolidated Financial Statements
For the Nine Months Ended September 30, 2015
(Unaudited)
(in thousands, except per share amounts)

	Infrastructure				Energy				Diversified				Real Estate				Corporate				Consolidated			
	Three months ended		Nine months ended		Three months ended		Nine months ended		Three months ended		Nine months ended		Three months ended		Nine months ended		Three months ended		Nine months ended		Three months ended		Nine months ended	
	Sep. 30,		Sep. 30,		Sep. 30,		Sep. 30,		Sep. 30,		Sep. 30,		Sep. 30,		Sep. 30,		Sep. 30,		Sep. 30,		Sep. 30,		Sep. 30,	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	$	$	$	$	$	$	$	$	$	$	$	$	$	$	$	$	$	$	$	$	$	$	$	$
Revenue	39,012	14,658	97,611	38,434	6,350	21,771	25,446	37,426	9,564	11,159	26,969	28,878	256	404	1,025	1,113	-	-	-	-	55,182	47,992	151,051	105,851
Operating expenses	34,381	12,737	85,743	33,034	5,940	16,960	22,977	28,112	8,238	8,982	23,051	23,688	185	46	847	463	1,068	1,286	3,095	3,637	49,812	40,011	135,713	88,934
Income (loss) from operations	4,631	1,921	11,868	5,400	410	4,811	2,469	9,314	1,326	2,177	3,918	5,190	71	358	178	650	(1,068)	(1,286)	(3,095)	(3,637)	5,370	7,981	15,338	16,917
Accretion expense	-	-	-	-	-	-	-	-	-	12	4	49	-	-	-	-	-	-	-	-	-	12	4	49
Amortization of income-producing properties	-	-	-	-	-	-	-	-	-	-	-	-	48	15	146	43	-	-	-	-	48	15	146	43
Amortization of property, plant & equipment	618	132	1,728	275	954	1,061	3,039	1,633	264	292	777	811	-	-	-	-	6	8	18	23	1,842	1,493	5,562	2,742
Amortization of intangible assets	870	141	2,759	360	138	188	504	563	295	277	887	833	-	1	-	3	2	-	4	1	1,305	607	4,154	1,760
Securities-based compensation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	176	182	870	694	176	182	870	694
(Gain) loss on partial disposition of interest in subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,414)	-	(1,414)	-	-	-	-	-	(1,414)	-	(1,414)
Loss (gain) on sale of property, plant & equipment	(8)	5	72	9	518	11	561	13	(10)	(1)	(13)	(13)	-	-	-	-	-	-	-	-	500	15	620	9
	1,480	278	4,559	644	1,610	1,260	4,104	2,209	549	580	1,655	1,680	48	(1,398)	146	(1,368)	184	190	892	718	3,871	910	11,356	3,883
Income (loss) before finance	3,151	1,643	7,309	4,756	(1,200)	3,551	(1,635)	7,105	777	1,597	2,263	3,510	23	1,756	32	2,018	(1,252)	(1,476)	(3,987)	(4,355)	1,499	7,071	3,982	13,034
Finance income	9	24	36	72	6	5	19	6	-	-	-	2	-	-	-	-	6	35	58	48	21	64	113	128
Finance expense	(88)	(2)	(178)	(11)	(7)	(15)	(26)	(25)	(98)	(83)	(332)	(245)	(33)	(27)	(83)	(83)	25	(29)	(76)	(56)	(201)	(156)	(695)	(420)
	(79)	22	(142)	61	(1)	(10)	(7)	(19)	(98)	(83)	(332)	(243)	(33)	(27)	(83)	(83)	31	6	(18)	(8)	(180)	(92)	(582)	(292)
Share of joint venture income (loss)	-	-	-	-	-	-	-	-	-	-	-	-	50	(86)	(100)	(86)	-	-	-	-	50	(86)	(100)	(86)
Other income	-	-	-	-	-	-	-	-	-	-	1,167	-	-	-	-	-	-	-	-	-	-	-	1,167	-
Impairment (loss)	-	-	-	-	-	-	(1,346)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,346)	-
Income (loss) from continuing operations before taxes	3,072	1,665	7,167	4,817	(1,201)	3,541	(2,988)	7,086	679	1,514	3,098	3,267	40	1,643	(151)	1,849	(1,221)	(1,470)	(4,005)	(4,363)	1,369	6,893	3,121	12,656
Income tax expense (recovery)																								
Current	(152)	304	324	1,134	-	-	-	-	38	146	101	337	-	-	-	-	-	-	-	-	(114)	450	425	1,471
Deferred	(1,000)	37	(802)	(113)	(358)	203	377	216	24	90	69	443	8	24	14	52	841	689	(172)	(490)	(485)	1,043	(514)	108
	(1,152)	341	(478)	1,021	(358)	203	377	216	62	236	170	780	8	24	14	52	841	689	(172)	(490)	(599)	1,493	(89)	1,579
Net income (loss) from continuing operations	4,224	1,324	7,645	3,796	(843)	3,338	(3,365)	6,870	617	1,278	2,928	2,487	32	1,619	(165)	1,797	(2,062)	(2,159)	(3,833)	(3,873)	1,968	5,400	3,210	11,077
Net income (loss) and comprehensive income (loss)	4,224	1,324	7,645	3,796	(843)	3,338	(3,365)	6,870	617	1,278	2,928	2,487	32	1,619	(165)	1,797	(2,062)	(2,159)	(3,833)	(3,873)	1,968	5,400	3,210	11,077
Net Income (loss) and comprehensive ncome (loss) attributable to:																								
Shareholders	3,449	984	5,964	2,875	(509)	2,635	(2,378)	5,749	443	952	2,443	2,085	32	1,619	(165)	1,797	(2,062)	(2,159)	(3,833)	(3,873)	1,353	4,031	2,031	8,633
Non-controlling interests	775	340	1,681	921	(334)	703	(987)	1,121	174	326	485	402	-	-	-	-	-	-	-	-	615	1,369	1,179	2,444
	4,224	1,324	7,645	3,796	(843)	3,338	(3,365)	6,870	617	1,278	2,928	2,487	32	1,619	(165)	1,797	(2,062)	(2,159)	(3,833)	(3,873)	1,968	5,400	3,210	11,077

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

12. 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 September 30, 2015, $615 (2014 - $1,369) of Mosaic's net income was allocated to non-controlling interests and distributions of $767 (2014 - $nil) were paid to holders of the non-controlling interests.

During the nine months ended September 30, 2015, $1,179 (2014 - $2,444) of Mosaic's net income was allocated to non-controlling interests and distributions of $1,247 (2014 - $1,420) were paid to holders of the non-controlling interests.

13. REVENUE

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
	$	$	$	$
Contract revenue	38,337	12,581	96,193	36,356
Sale of goods	3,748	5,681	10,136	15,037
Rendering of services	12,840	29,377	43,697	53,398
Revenue related to income-producing properties	257	129	1,025	387
Revenue related to assets held for sale	-	224	-	673
	55,182	47,992	151,051	105,851

14. PERSONNEL EXPENSES

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

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
	$	$	$	$
Salaries	4,605	4,818	14,736	12,664
Securities-based compensation	176	182	870	694
	4,781	5,000	15,606	13,358

15. FINANCE INCOME AND EXPENSE

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
	$	$	$	$
Finance income				
Interest income on cash and cash equivalents	21	64	113	128
Finance expense				
Interest expense	(201)	(156)	(695)	(420)
	(180)	(92)	(582)	(292)

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

16. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash operating working capital:

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
	$	$	$	$
Accounts receivable	(8,804)	(760)	4,660	(13,294)
Inventories	263	(1,558)	310	(2,020)
Deposits and prepaid expenses	214	(460)	(10)	(532)
Accounts payable & accrued liabilities	1,310	(445)	(9,403)	12,288
Dividends payable	5	-	200	213
Income taxes recoverable	296	(7)	1,106	591
Deferred contract revenue	2,177	(419)	548	(258)
	(4,539)	(3,649)	(2,589)	(3,012)

17. RELATED PARTY TRANSACTIONS

Rent of $328 for the three months ended September 30, 2015 (2014 - $247) and $984 for the nine months ended September 30, 2015 (2014 - $431) 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 as of September 30, 2015.

18. 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:

Year	Amount
	$
2015	522
2016	1,992
2017	1,619
2018	886
2019 and after	2,577
	7,596

Certain subsidiaries of Mosaic are contingently liable for contractor obligations relating to performance and completion of construction contracts. These include the subsidiaries' contingent liability for the performance obligations of its subcontractors. Where possible and appropriate, the subsidiaries obtain performance bonds or alternative security from subcontractors. However, where this is not possible, the subsidiaries are exposed to the risk that subcontractors will fail to meet their performance obligations. In that eventuality, the subsidiaries would be obliged to complete the subcontractor's contract, generally by engaging another subcontractor, and the cost of completing the work could exceed the original subcontract price. Mosaic makes appropriate provisions in the consolidated financial statements for all known liabilities relating to subcontractor defaults.

Mosaic and its subsidiaries are involved in litigation and claims from time to time. Management is not presently aware of any litigation or claims where likelihood and quantum of liability can be reasonably estimated and which would materially affect the financial position or results of operations of Mosaic. In addition, Mosaic or its subsidiaries may provide indemnifications, in the normal course of business, that are often standard contractual terms to counterparties in certain transactions, such as purchase and sale agreements or service contracts. The terms of these indemnifications will vary based upon the contract, the nature of which prevents Mosaic from making a reasonable estimate of the maximum potential amounts that may be required to be paid.

19. SUBSEQUENT EVENTS

Effective November 1, 2015 Mosaic announced the closing of the sale of its 70% interest in Streamline for total consideration of $13,700, comprised of $10,000 in cash on closing and the balance to be paid December 1, 2015. Mosaic originally purchased its 70% interest in Streamline in June 2014 for cash of $13,240 and contingent consideration of $3,500.

On November 23, 2015, Mosaic closed the sale of substantially all of the assets of Polar for total consideration of $75. Mosaic originally purchased its 90% interest in Polar in May 2008 for $3,150.

Management has made a preliminary assessment on the disposition of the businesses and does not believe a significant gain/loss will be realized from the transactions.