

 **MOSAIC CAPITAL**

400, 2424 – 4th Street SW
Calgary, Alberta T2S 2T4

FOR IMMEDIATE RELEASE

MOSAIC CAPITAL CORPORATION
Reports Q1 2017 Financial Results

Calgary, Alberta – May 15, 2017. Mosaic Capital Corporation ("**Mosaic**" or the "**Company**") (TSX–V Symbols: **M** and **M.DB**) has released its unaudited consolidated financial statements for the three months ended March 31, 2017.

Selected Highlights

<i>All amounts are in thousands except %</i>	3 Months Ended March 31		
	2017	2016	% Change
Revenue	\$58,109	\$40,244	44%
Income from operations	\$5,194	\$4,952	5%
Adjusted EBITDA ⁽¹⁾	\$5,262	\$4,952	6%
Cash Flow Prior to Changes In Non-Cash Working Capital	\$4,189	\$4,502	(7%)
Free Cash Flow ⁽¹⁾	\$3,236	\$2,984	8%
Increase (Decrease) In Free Cash Flow Per Common Share (Fully Diluted)	(68%)	(13%)	
Net Income and Comprehensive Income Attributable to Shareholders	\$60	\$2,004	(97%)
Preferred Distribution Payout Ratio ⁽¹⁾	77%	109%	
Combined Payout Ratio ⁽¹⁾	111%	138%	

Notes:

1. These non-IFRS financial measures do not have any standardized meaning under IFRS, may not be comparable to similar measures presented by other issuers and are defined and reconciled to their most directly comparable IFRS measure within our Management's Discussion and Analysis for the three months ended March 31, 2017 under the sections "Non-IFRS Financial Measures" and "Reconciliation of Non-IFRS Financial Measures", which document is available electronically at www.sedar.com under Mosaic's profile.

Q1 2017 Financial and Operational Highlights

- Increased Q1 2017 Adjusted EBITDA by 6% over the same period in 2016 with strong contributions from recently acquired portfolio companies partially offset by lower quarterly results in several Infrastructure businesses exposed to project based revenues and cyclical, western Canadian economic activity levels;
- Closed the strategic private placement of \$150 million with Fairfax Financial Holdings, which facilitated the redemption of all outstanding 10% Preferred Securities and Series A shares and the retraction of all outstanding Private Yield Securities resulting in a material improvement in the Company's cost of capital;
- Closed a new banking agreement with ATB Corporate Financial Services for a \$35 million revolving acquisition facility;
- Closed an offering of subscription privileges resulting in the issuance of 1.6 million common shares for gross proceeds of \$15.2 million;
- Increased the common share dividend by 5% and changed its frequency to a monthly basis;
- Completed two tuck-in acquisitions with Associated Asbestos and Tundra Mechanicals; and
- Subsequent to the end of the quarter, the Company announced the acquisition of Cedar Infrastructure Products, located in Vaughan, Ontario.

Segmented Financial Performance*
For the Three Months Ended March 31, 2017

<i>All amounts are in thousands except %</i>	CONSOLIDATED	Infrastructure	Energy	Diversified
Revenue	\$58,109	\$39,947	\$2,510	\$15,486
<i>% of Total</i>	100%	69%	4%	27%
<i>% increase (decrease) year over year</i>	44%	29%	46%	111%
Income From Operations	\$5,194	\$3,508	\$569	\$3,158
<i>% increase (decrease) year over year</i>	5%	(25%)	204%	248%

*Revenue and income from operations attributable to the Real Estate segment are immaterial.

Outlook

In response to the ongoing challenges resulting from the energy price decline and the impact on Mosaic, management in 2016 decided to accelerate Mosaic's strategy. First, where it had previously focused most of its portfolio in western Canada, it needed to further increase the economic and geographic diversity of its portfolio. Second, Mosaic needed to reduce its cost of capital, better enabling it to compete for acquisitions. Third, it needed to adopt a more aggressive investment pace and expand its team to drive these initiatives and growth.

During the second half of 2016, management began a more aggressive growth strategy for the Company. To execute on this plan, Mosaic has expanded its acquisition, operations and finance teams. The Mosaic acquisition team has been successful in establishing ongoing deal flow that is of higher quality and more diversified across Canada. The acquisitions completed since Q2, 2016 including Mackow Industries (Winnipeg, Manitoba), Bassi Construction (Ottawa, Ontario), and Cedar Infrastructure Products (Vaughan, Ontario) are reflective of this.

The Fairfax Financing together with the redemptions of the 10% Preferred Securities and Series A Shares, retraction of the private yield securities and the Subscription Privileges offering all of which were consummated in Q1 2017, serve to reduce Mosaic's overall cost of capital and positively impact annual cash flow of Mosaic due to the resulting reduction in annual distributions to securityholders on an equivalent capital amount basis by over \$5.4 million. In addition, these transactions leave Mosaic with a strong capital position for growth. These improvements will reduce Mosaic's combined payout ratios in 2017, enable Mosaic to better compete for larger, higher-quality acquisitions and retain more of its internally generated capital for deployment into acquisitions.

Mark Gardhouse, CEO of Mosaic Capital commented "despite continued economic softness in western Canada, we are satisfied with our Q1 2017 results which delivered operating and financial performances that were in line with our budgeted expectations. We estimate that with steady performance levels in our existing businesses and the contributions from our recent acquisition activities, our run rate EBITDA is tracking approximately 20% higher than as at year-end 2016."

Harold Kunik, President of Mosaic Capital stated "we are seeing a much higher volume and quality of deal flow than ever before, much of which is emanating from eastern Canada. Given the continuing muted western Canadian economy, we view this geographic diversification as important to improving the resiliency of Mosaic's portfolio. Mosaic's diverse deal-flow provides the Company an exceptional vantage point to assess which sectors it views as most attractive for acquisition."

Given this backdrop, Mosaic intends to remain aggressive, yet disciplined, with its acquisition program in 2017. Importantly, the Company will pursue this growth trajectory with a focus on the Company's key goals of delivering free cash flow per share and shareholder returns while maintaining a strong balance sheet.

ABOUT MOSAIC CAPITAL CORPORATION

Mosaic is a Canadian investment company that owns a portfolio of established businesses which span a diverse range of industries and geographies. Mosaic's strategy is to create long-term value for its shareholders through accretive acquisitions, long-term portfolio ownership, sustained cash flows and organic portfolio growth. Mosaic achieves its objectives by maintaining financial discipline, acquiring businesses at attractive valuations, performing extensive acquisition due diligence, utilizing optimal transaction structuring and working closely with subsidiary businesses after acquisition.

FOR FURTHER INFORMATION PLEASE CONTACT:

Allan Fowler
Chief Financial Officer
Mosaic Capital Corporation
400, 2424 – 4th Street SW
Calgary, AB T2S 2T4
Tel: (403) 270-4663

Forward-Looking Information

This news release contains forward-looking information and statements within the meaning of applicable Canadian securities laws (herein referred to as "forward-looking statements") that involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. All information and statements in this press release which are not statements of historical fact may be forward-looking statements. The words "believe", "expect", "intend", "estimate", "anticipate", "project", "scheduled", and similar expressions, as well as future or conditional verbs such as "will", "should", "would", and "could" often identify forward-looking statements. In particular this news release may contain forward-looking statements regarding anticipated financial and operating performance for Mosaic. Forward-looking statements in this news release include, but are not limited to, statements with respect to: the anticipated reduction in annual distributions to securityholders; the anticipated reduced payout ratios in 2017; Mosaic's enhanced ability to compete for larger, higher-quality acquisitions and retain more of its internally generated capital for deployment into acquisitions; and Mosaic's intention to remain aggressive, yet disciplined, with its acquisition program in 2017. Such statements or information, if any, are only predictions and reflect the current beliefs of management with respect to future events and are based on information currently available to management. Actual results and events may differ materially from those contemplated by these forward-looking statements due to these statements being subject to a number of risks and uncertainties. Undue reliance should not be placed on these forward-looking statements as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. By their nature forward-looking statements involve assumptions and known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other things contemplated by the forward-looking statements will not occur. Some of the assumptions made by Mosaic upon which forward-looking statements are typically based include: the business operations of the operating businesses of Mosaic continuing on a basis consistent with prior years; the ability of Mosaic and its subsidiaries to access financing from time to time on favorable terms; the ability of Mosaic to realize anticipated benefits of acquisitions; the continuation of executive and operating management or the non-disruptive replacement of them on competitive terms; the ability of Mosaic to maintain reasonably stable operating and general administrative expenses; the current economic environment in western Canada (including commodity prices, such as oil prices) stabilizing and showing signs of strengthening over the coming year; and the economic environment in Canada not deteriorating due to the influence of international economic developments in the United States, Europe, Asia and elsewhere.

A number of factors could cause actual results to differ materially from the results stated in the forward-looking statements, including, but not limited to, risks related to: economic and political conditions; fluctuations in commodity prices; lack of diversification; competition for acquisition candidates; the failure to identify, acquire and develop suitable acquisition targets; insufficient cash flows from subsidiaries; the inability to generate sufficient cash flow from

operations to meet current and future obligations; the inability to obtain required debt and/or equity capital on acceptable terms or at all; unknown liabilities within acquired businesses; failure to realize benefits of acquisitions; the loss of key personnel; changes in tax law or other adverse tax consequences; changes in laws or regulations or the interpretation thereof; legal proceedings against Mosaic; potential conflicts of interest of directors and officers; impairment charges in goodwill or other intangible assets; cyber attacks or other breaches of information technology security; no guarantee of future dividend payments on its common shares or interest payments on its 6% senior preferred securities or 5% secured debentures; no guarantee of repayment of the principal outstanding under the Mosaic's convertible debentures or 5% secured debentures; subordination and ranking of Mosaic's 5% secured debentures, 6% senior preferred securities and convertible debentures; prevailing yields on similar securities; the lack of redemption rights attached to the 6% senior preferred securities; the lack of shareholder rights of holders of Mosaic's 5% secured debentures, 6% senior preferred securities and convertible debentures; the inability of Mosaic to repurchase the 5% secured debentures or convertible debentures upon a change of control; risk of dilution from the conversion or redemption of the convertible debentures; no assurance of an active or liquid trading market for Mosaic's securities; fluctuations in the market price of Mosaic's securities; additional issuances of securities of Mosaic and dilution; risk of change of control as a result of Fairfax exercising the Warrants; restrictions under the governance agreement; potential conflicts of interest with Fairfax; Fairfax's right to nominate a majority of the board of directors of Mosaic if interest is deferred under the 6% senior preferred securities; risk of dilution from exercise of the Warrants held by Fairfax; diversion of management to manage issues in Mosaic's operating subsidiaries; shift of management's focus to integration, administration or unforeseen business or operating issues; declining employee morale and employee retention issues; integration of subsidiary administrative systems; lack of sufficient business and financial controls or other procedures or policies within acquired entities; fluctuations in operating performance and seasonality; economic conditions at both the domestic and international level; execution risk under project contracts; foreign exchange risk; lack of diversity of customer base; failure to retain customers; contractual risks, including indemnity obligations; competition in industries in which Mosaic's subsidiaries operate; adverse weather conditions; uninsured and underinsured losses; failure to attract qualified employees or interruption of the labour supply; illiquidity of investments; the speculative nature of Mosaic's investments due to the small size of the acquired businesses; damage to brand reputation; risks inherent in Mosaic's ownership of real property; illiquidity of investments in real property; weakness in the commercial property market in target markets; uncertainties relating to the ability to move development land through the development and regulatory approval process in a timely manner; inability of tenants to fulfill lease obligations; fixed costs of ownership of real property; and environmental liabilities. Should any of the risks or uncertainties facing Mosaic and its subsidiaries materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results, performance, activities or achievements could vary materially from those expressed or implied by any forward-looking statements contained in this news release.

Readers are cautioned that the foregoing list of risks is not exhaustive. Additional information on these and other factors that could affect the operations or financial results of Mosaic and its subsidiaries are included in Mosaic's annual MD&A dated April 3, 2017 for the year ended December 31, 2016 and annual information form for the year ended December 31, 2015 which has been filed under Mosaic's profile on SEDAR (www.sedar.com).

Although Mosaic believes that the expectations represented by any forward-looking-statements contained herein are reasonable based on the information available to them on the date of this news release, management cannot assure investors that actual results, performance or achievements will be consistent with these forward-looking statements. Any forward-looking statements herein contained are made as of the date of this press release and Mosaic does not assume any obligation to update or revise them to reflect new information, events or circumstances, except as required by law.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.