

MOSAIC CAPITAL CORPORATION



Condensed Interim Consolidated Financial Statements (unaudited) For the three and nine months ended September 30, 2020 and 2019

"Growth through sustainable cash flow"

NOTICE OF NO AUDITORS' REVIEW OF INTERIM FINANCIAL STATEMENTS

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

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

As at	September 30, 2020	December 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 34,211	\$ 18,980
Trade, accrued and other receivables	73,861	81,532
Accrued contract revenue (note 5)	15,906	17,208
Inventories	9,067	10,481
Deposits, prepaid expenses and other	2,221	2,096
	135,266	130,297
Non-current assets:		
Investment in joint venture	2,133	2,203
Contingent accounts receivable (note 6(b))	1,248	1,645
Property, plant and equipment (note 7)	22,433	25,902
Leased assets (note 8)	17,523	19,982
Intangible assets (note 9)	37,252	46,803
Goodwill (note 10)	47,780	71,417
Deferred income tax asset	10,704	7,094
TOTAL ASSETS	\$ 274,339	\$ 305,343
LIABILITIES AND EQUITY		
Liabilities		
Current liabilities:		
Operating loans (note 12(b))	\$ -	\$ 1,507
Trade, accrued and other payables	52,421	52,632
Distributions payable	1,512	1,512
Deferred contract revenue (note 5)	1,128	4,471
Current portion of notes payable (note 13)	4,170	8,096
Current portion of lease obligations (note 14)	5,495	5,752
Redeemable non-controlling interest	19,938	-
Non-controlling interest put options	7,174	-
	91,838	73,970
Non-current liabilities:		
Credit facility (note 12(a))	15,343	11,512
Notes payable (note 13)	3,470	5,198
Lease obligations (note 14)	13,604	15,267
Debentures	48,229	47,873
Convertible debentures	12,585	12,261
Common share purchase warrants (note 15)	11	3,180
Redeemable non-controlling interest	-	19,800
Non-controlling interest put options	3,807	10,223
Total liabilities	188,887	199,284
Equity		
Common shares	35,321	35,142
Preferred securities	82,395	82,395
Contributed surplus	2,936	2,562
Convertible debentures	875	859
Retained earnings:		
Cumulative earnings	43,859	57,894
Cumulative translation adjustment	308	157
Cumulative dividends/distributions	(120,310)	(114,680)
Total shareholders' equity	45,384	64,329
Non-controlling interests	40,068	41,730
TOTAL LIABILITIES AND EQUITY	\$ 274,339	\$ 305,343

Contingent liabilities (note 24)

Subsequent event (note 27)

See accompanying notes to the condensed interim consolidated financial statements.

Mosaic Capital Corporation

Condensed Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

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

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
REVENUE (note 17)	\$ 91,005	\$ 107,300	\$ 236,743	\$ 291,692
OPERATING EXPENSES	74,149	94,567	202,105	264,731
OPERATING INCOME BEFORE OTHER EXPENSES	16,856	12,733	34,638	26,961
EXPENSES				
Amortization of property, plant and equipment (note 7)	1,231	1,255	3,634	3,698
Amortization of leased assets (note 8)	1,350	1,225	4,110	3,582
Amortization of intangible assets (note 9)	1,843	3,034	5,664	9,152
(Gain) loss on disposal of equipment	(57)	82	173	144
(Gain) loss on early termination of lease obligations	(9)	20	9	(18)
Equity-based compensation	208	196	635	555
	4,566	5,812	14,225	17,113
Operating income	12,290	6,921	20,413	9,848
Impairment loss (note 11)	-	-	27,523	-
Net finance costs (note 18)	2,145	2,259	6,098	7,071
Foreign exchange loss (gain)	315	(78)	(329)	456
Share of joint venture loss (income)	9	(17)	(34)	20
Fair value adjustment (note 19)	199	(415)	(2,524)	2,124
Income (loss) from continuing operations before income taxes	9,622	5,172	(10,321)	177
Provision for income taxes:				
Current	266	90	643	228
Deferred (reduction)	1,136	95	(3,898)	(548)
	1,402	185	(3,255)	(320)
NET INCOME (LOSS) FROM CONTINUING OPERATIONS	8,220	4,987	(7,066)	497
Other comprehensive loss (income):				
Items that may be subsequently reclassified:				
Exchange differences on translating foreign operations	(108)	(36)	(51)	94
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) FROM CONTINUING OPERATIONS	8,328	5,023	(7,015)	403
(Loss) earnings and comprehensive (loss) earnings from discontinued operations (note 6)	(590)	1,587	(5,148)	2,849
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)	\$ 7,738	\$ 6,610	\$ (12,163)	\$ 3,252
Net income (loss) and comprehensive income (loss) attributable to:				
Common equity holders from continuing operations	2,776	1,463	(13,488)	(7,175)
Common equity holders from discontinued operations	(561)	1,271	(4,900)	2,204
Preferred distributions from continuing operations	1,512	1,512	4,504	4,487
Non-controlling interests from continuing operations	4,040	2,048	1,969	3,091
Non-controlling interests from discontinued operations	(29)	316	(248)	645
	\$ 7,738	\$ 6,610	\$ (12,163)	\$ 3,252
Earnings (loss) per common share (note 20):				
Basic from continuing operations	\$ 0.26	\$ 0.14	\$ (1.26)	\$ (0.67)
Basic from discontinued operations	(0.05)	0.12	(0.46)	0.20
Basic	\$ 0.21	\$ 0.26	\$ (1.72)	\$ (0.47)
Diluted from continuing operations	\$ 0.23	\$ 0.12	\$ (1.26)	\$ (0.67)
Diluted from discontinued operations	(0.05)	0.10	(0.46)	0.20
Diluted	\$ 0.18	\$ 0.22	\$ (1.72)	\$ (0.47)

See accompanying notes to the condensed interim consolidated financial statements.

Mosaic Capital Corporation

Condensed Interim Consolidated Statements of Changes in Equity

(Unaudited) (in thousands of Canadian dollars)

	Common shares	Preferred securities	Contributed surplus	Convertible debentures	Cumulative earnings	Cumulative translation adjustment	Cumulative Dividends / Distributions	Total shareholders' equity	Non- controlling interest	Total Equity
Balance, January 1, 2019	\$ 34,955	\$ 82,395	\$ 2,205	\$ 838	\$ 57,407	\$ 239	\$ (104,184)	\$ 73,855	\$ 51,580	\$ 125,435
Distributions declared on preferred securities	-	-	-	-	-	-	(4,487)	(4,487)	-	(4,487)
Dividends declared on common shares	-	-	-	-	-	-	(3,367)	(3,367)	-	(3,367)
Distributions to non-controlling interests	-	-	-	-	-	-	-	-	(5,681)	(5,681)
Equity-based compensation (note 16)	-	-	555	-	-	-	-	555	-	555
Amortization of issue costs	-	-	-	16	-	-	-	16	-	16
Exercise of stock options (note 16)	48	-	(65)	-	-	-	-	(17)	-	(17)
Settlement of restricted share units (note 16)	139	-	(330)	-	-	-	-	(191)	-	(191)
Contribution from NCI	-	-	-	-	-	-	-	-	1,047	1,047
Purchase units from NCI through NCI put option	-	-	-	-	2,749	-	-	2,749	(2,452)	297
Net (loss) income and comprehensive (loss) income	-	-	-	-	(443)	(40)	-	(483)	3,735	3,252
Balance, September 30, 2019	\$ 35,142	\$ 82,395	\$ 2,365	\$ 854	\$ 59,713	\$ 199	\$ (112,038)	\$ 68,630	\$ 48,229	\$ 116,859
Balance, January 1, 2020	\$ 35,142	\$ 82,395	\$ 2,562	\$ 859	\$ 57,894	\$ 157	\$ (114,680)	\$ 64,329	\$ 41,730	\$ 106,059
Distributions declared on preferred securities	-	-	-	-	-	-	(4,504)	(4,504)	-	(4,504)
Dividends declared on common shares	-	-	-	-	-	-	(1,126)	(1,126)	-	(1,126)
Distributions to non-controlling interests	-	-	-	-	-	-	-	-	(3,603)	(3,603)
Equity-based compensation	-	-	635	-	-	-	-	635	-	635
Amortization of issue costs	-	-	-	16	-	-	-	16	-	16
Settlement of restricted share units (note 16)	179	-	(261)	-	-	-	-	(82)	-	(82)
Contribution from NCI	-	-	-	-	-	-	-	-	220	220
Net (loss) income and comprehensive (loss) income	-	-	-	-	(14,035)	151	-	(13,884)	1,721	(12,163)
Balance, September 30, 2020	\$ 35,321	\$ 82,395	\$ 2,936	\$ 875	\$ 43,859	\$ 308	\$ (120,310)	\$ 45,384	\$ 40,068	\$ 85,452

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,	
	2020	2019	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income (loss) from continuing operations	\$ 8,220	\$ 4,987	\$ (7,066)	\$ 497
Adjustments for:				
Amortization of property, plant and equipment (note 7)	1,231	1,255	3,634	3,698
Amortization of leased assets (note 8)	1,350	1,225	4,110	3,582
Amortization of intangible assets (note 9)	1,843	3,034	5,664	9,152
(Gain) loss on sale of equipment	(57)	82	173	144
(Gain) loss on early termination of lease obligations	(9)	20	9	(18)
Equity-based compensation	208	196	635	555
Impairment loss (note 11)	-	-	27,523	-
Accretion expense (note 18)	200	212	615	813
Amortization of borrowing costs (note 18)	124	79	369	366
Foreign exchange loss (gain)	315	(78)	(329)	456
Share of joint venture loss (income)	9	(17)	(34)	20
Fair value adjustment (note 19)	199	(415)	(2,524)	2,124
Deferred income tax (reduction)	1,136	95	(3,898)	(548)
Cash provided before non-cash working capital	14,769	10,675	28,881	20,841
Net change in non-cash working capital (note 21)	856	(2,951)	4,786	(1,953)
Cash provided by continuing operations	15,625	7,724	33,667	18,888
Cash (used) provided by discontinued operations	(231)	1,131	386	1,966
Net cash provided by operating activities	15,394	8,855	34,053	20,854
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment (note 7)	(1,641)	(1,842)	(3,703)	(3,960)
Proceeds on disposal of property, plant and equipment	149	296	314	430
Proceeds on disposal of assets held for sale	-	-	-	810
Distributions received from joint venture	-	-	105	-
Cash used in continuing operations	(1,492)	(1,546)	(3,284)	(2,720)
Cash provided by discontinued operations	-	23	375	124
Net cash used in investing activities	(1,492)	(1,523)	(2,909)	(2,596)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net (repayment) proceeds from operating loans (note 12(b))	(1,250)	1,292	(1,507)	3,484
Proceeds from credit facility (note 12(a))	4,129	4,628	29,976	10,450
Repayment of credit facility (note 12(a))	(11,635)	(4,800)	(26,055)	(10,275)
Credit facility transaction costs	(128)	(10)	(128)	(10)
Proceeds from notes payable (note 13)	-	967	2,163	2,228
Repayment of notes payable (note 13)	(536)	(960)	(7,923)	(4,805)
Proceeds on termination of lease obligations (note 14)	6	-	7	-
Payment of lease obligations (note 14)	(1,308)	(1,536)	(3,689)	(4,305)
Exercise of stock options (note 16)	-	-	-	(16)
Settlement of restricted share options (note 16)	-	-	(82)	(193)
Dividends paid to common shareholders	-	(1,125)	(1,126)	(3,367)
Distributions paid to preferred security holders	(1,495)	(1,496)	(4,504)	(4,487)
Distributions paid to non-controlling interests	(1,854)	(1,596)	(2,926)	(5,081)
Contribution from non-controlling interests	-	-	220	-
Purchase of units from NCI through NCI put option	-	(1,733)	-	(1,733)
Cash used in continuing operations	(14,071)	(6,369)	(15,574)	(18,110)
Cash used in discontinued operations	(38)	(378)	(369)	(887)
Net cash used in financing activities	(14,109)	(6,747)	(15,943)	(18,997)
Net change in cash and cash equivalents	(207)	585	15,201	(739)
Cash and cash equivalents, beginning of period	34,443	13,382	18,980	14,766
Effect of translation on foreign cash	(25)	17	30	(43)
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 34,211	\$ 13,984	\$ 34,211	\$ 13,984
Supplementary cash flow information				
Interest received	\$ 37	\$ 81	\$ 133	\$ 186
Interest paid	\$ 1,464	\$ 1,841	\$ 4,512	\$ 5,523
Income taxes paid	\$ 83	\$ 36	\$ 234	\$ 594

See accompanying notes to the condensed interim consolidated financial statements.

Mosaic Capital Corporation
Notes to the Condensed Interim Consolidated Financial Statements
For the Three and Nine months ended September 30, 2020 and 2019
(unaudited) (in thousands of Canadian dollars, except for per share amounts)

1. REPORTING ENTITY

Mosaic Capital Corporation ("**Mosaic**" or the "**Company**") was incorporated under the *Business Corporations Act* (Alberta) on February 11, 2011. The address of the Company's registered office is 400, 2424 – 4th Street SW Calgary, Alberta T2S 2T4. Mosaic is an investment company that owns a portfolio of established businesses. The Company continues to evaluate, acquire and invest in businesses across a range of industries and geographies.

Products and services are provided through the Company's subsidiaries structured under two business segments: Infrastructure and Diversified.

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

2. BASIS OF PREPARATION

(a) Statement of compliance

The condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standards ("**IAS**") 34 "*Interim Financial Reporting*" as issued by the International Accounting Standards Board ("**IASB**"). The condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") following the same accounting principles and application methods as those disclosed in the Company's annual audited consolidated financial statements for the year ended December 31, 2019. Because disclosures provided in these condensed interim consolidated financial statements do not conform in all respects with IFRS for annual financial statements, these condensed interim consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2019.

The condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company (the "**Board**") on November 4, 2020.

(b) Basis of consolidation

The condensed interim consolidated financial statements comprise the financial statements of the Company and its subsidiaries and controlled limited partnerships. Control is achieved when the Company is exposed to or has the rights to variable returns from its involvement with the investee and has the ability to affect those returns through its control over the investee.

The condensed interim consolidated financial statements of Mosaic include the following operating entities listed below. The ultimate holding entity of the entities listed is Mosaic.

	Ownership interest	
	September 30, 2020	December 31, 2019
Allied Cathodic Services L.P. (" Allied Cathodic ")	80%	80%
Bassi Construction L.P. (" Bassi ")	70%	70%
Cedar Infrastructure Products L.P. (" Cedar ")	75%	75%
Circle 5 Tool & Mold L.P. (" Circle 5 ")	75%	75%
First West Properties L.P. (" FWPLP ")	100%	100%
Industrial Scaffold Services L.P. (" Industrial Scaffold ")	81%	81%
Kendall's Supply Ltd. (" Kendall's Supply ")	89%	89%
Mackow Industries L.P. (" Mackow ")	80%	80%
Place-Crete Systems L.P. (" Place-Crete ")	69%	69%
Printing Unlimited L.P. (" Printing Unlimited ")	100%	100%
Remote Waste L.P. (" Remote Waste ")	-	95%
Secon Holdings L.P. (" SECON ")	76%	77%

In addition, the Company has a 50% interest in First West Developments L.P. ("**FWDLP**"), a joint venture with Harbour Equity Capital Corp. ("**Harbour Equity**") for the development of the Parker Industrial Park near Regina, Saskatchewan.

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

Mosaic Capital Corporation
Notes to the Condensed Interim Consolidated Financial Statements
For the Three and Nine months ended September 30, 2020 and 2019
(unaudited) (in thousands of Canadian dollars, except for per share amounts)

2. BASIS OF PREPARATION (continued)

(c) Basis of measurement and impact of Pandemic

The condensed interim consolidated financial statements have been prepared on a going-concern basis, using the historical cost convention, except as otherwise noted.

The operations of the Company have been, and are expected to continue to be, negatively impacted, possibly materially, by the global COVID-19 pandemic (the "Pandemic") leading to significant future business uncertainties. These uncertainties include, but are not limited to, interruptions in operations caused by reductions in sales, customer's illiquidity impacting timing and ability to pay for goods and services rendered, the availability and health of the Company's workforce, impairment of the Company's cash flow generation, and disruptions in supply chain for the Company, its customers, its vendors.

The Company to date, has been eligible for certain federal government subsidies that have partially offset the negative impacts of the Pandemic. See Note 23 – Government Subsidies. On July 27, 2020 the federal government passed legislation and on October 14, 2020 committed to further extending the length and increasing the breadth of certain subsidies for which the Company believes it will be eligible to receive. The magnitude of future subsidies is not determinable as it is dependent on the percentage of revenue decline realized as compared to the prior year or period and wages incurred.

The Company has a history of generating positive operating cash flow, maintaining adequate working capital and available debt facilities to support liquidity requirements. As at September 30, 2020, the Company had cash of \$34,211 on hand, \$43,428 in positive working capital, \$34,657 available on its revolving credit facility (the "Credit Facility") and approximately \$25,000 available on its subsidiary-level operating credit facilities to support working capital. In April 2020, the Company suspended its monthly dividend (fiscal 2019 dividends paid were \$4,495) to preserve cash on hand. Loans and borrowings were \$110,423, of which \$36,777 is due within 12 months.

As at September 30, 2020, the Company is in compliance with financial covenants contained within all of its loans and borrowings.

The ability of the Company to continue operations in the ordinary course of business, is dependent on, among other things, the duration of the Pandemic, the Company's operational performance during the Pandemic, terms of covenants and repayment obligations with its lender, and the successful navigation of the Company through the challenges that have surfaced relating to the Pandemic. Management believes that the regular payment of liabilities will be met out of cash, operating cash flows and available credit facilities. If, for any reason, the Company is unable to discharge its obligations from these liquidity sources in the ordinary course of business, it could impact the Company's ability to realize assets at their recognized values at the amount stated in the condensed interim consolidated financial statements.

(d) Functional and presentation currency

The Canadian dollar is the Company's functional currency and as such, the condensed interim consolidated financial statements are presented in Canadian dollars.

(e) Use of estimates and judgments

The preparation of the condensed interim consolidated financial statements in accordance with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the carrying amounts of assets, liabilities, revenues and expenses and disclosures of contingent assets and liabilities. Actual results may differ from these estimates and the differences could be material. Estimates, judgments and assumptions are reviewed on a continuous basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods.

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) New accounting policy – IAS 20 – Accounting for Government Grants

In response to the Pandemic, governments have established various programs to assist companies through this period of uncertainty. Management has determined that the Company qualifies for certain programs and recognizes such government grants when there is reasonable assurance the grant will be received. Under IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance, the Company may recognize subsidies as either other income or a reduction of the expense related to the grant. Mosaic has elected to recognize as a reduction of the expense related to the grant. See Note 23 – Government Subsidies for details.

Mosaic Capital Corporation

Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Nine months ended September 30, 2020 and 2019

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

4. DETERMINATION OF FAIR VALUES

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

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

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

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

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

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

(b) Trade, accrued and other payables

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

(c) Share-based compensation transactions

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

(d) Contingent accounts receivable and consideration

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

Mosaic Capital Corporation

Notes to the Condensed Interim Consolidated Financial Statements

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

4. DETERMINATION OF FAIR VALUES (continued)

(e) Other non-derivative financial liabilities

The fair value of other non-derivative financial liabilities is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease arrangements. The following table compares the face value of the financial assets and financial liabilities to its corresponding fair amount as presented in the consolidated statement of financial position.

As at September 30, 2020	Face value	Fair value		
		Level 1	Level 2	Level 3
Other financial assets				
Contingent accounts receivable	\$ 1,500	\$ -	\$ 1,248	\$ -
Total financial assets	\$ 1,500	\$ -	\$ 1,248	\$ -
Financial liabilities				
Common share purchase warrants	\$ 20,555	\$ -	\$ -	\$ 11
Non-controlling interests put option	12,333	-	-	10,981
Total financial liabilities	\$ 32,888	\$ -	\$ -	\$ 10,992

As at December 31, 2019	Face value	Fair value		
		Level 1	Level 2	Level 3
Other financial assets				
Contingent accounts receivable	\$ 1,875	\$ -	\$ 1,645	\$ -
Total financial assets	\$ 1,875	\$ -	\$ 1,645	\$ -
Financial liabilities				
Common share purchase warrants	\$ 20,555	\$ -	\$ -	\$ 3,180
Non-controlling interests put option	12,333	-	-	10,223
Total financial liabilities	\$ 32,888	\$ -	\$ -	\$ 13,403

For level 3 financial liabilities as at September 30, 2020, a 1.0% change in the interest rate used would change the total financial liabilities by approximately \$207 (December 31, 2019 - \$195).

5. CONTRACT BALANCES

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

As at	September 30, 2020	December 31, 2019
Accrued contract revenue	\$ 15,906	\$ 17,208
Deferred contract revenue	\$ 1,128	\$ 4,471

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

Mosaic Capital Corporation
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For the Three and Nine months ended September 30, 2020 and 2019
(unaudited) (in thousands of Canadian dollars, except for per share amounts)

5. CONTRACT BALANCES (continued)

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

		Accrued contract revenue	Deferred contract revenue
Balance at December 31, 2019	\$	17,208	\$ 4,471
Progress on projects		(2,724)	406
Contracts completed		(10,226)	(4,194)
New contracts entered		11,548	443
Foreign exchange adjustment		100	2
Balance at September 30, 2020	\$	15,906	\$ 1,128

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

	Next 12 months	2021	2022	2023	Total
Construction related services	\$ 97,897	\$ 64,554	\$ 116	\$ 116	\$ 162,683

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

6. DISCONTINUED OPERATIONS

(a) Remote Waste LP

Effective July 31, 2020, Management disposed its ownership interest in Remote Waste for gross proceeds of \$40. An impairment loss of \$3,412 was incurred to reduce the carrying value of the assets to their fair value. Remote Waste was included in the Energy business segment. Comparative period balances of the consolidated statements of income and comprehensive income and cash flows have been restated. The following table provides the operating results of this discontinued operations:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Revenue	\$ 41	\$ 4,153	\$ 2,744	\$ 10,425
Operating expenses	306	3,314	3,521	8,843
Operating (loss) income before amortization	(265)	839	(777)	1,582
Expenses:				
Amortization of property, plant & equipment	-	213	275	646
Amortization of leased assets	19	224	441	699
Amortization of intangible assets	-	33	-	99
Loss (gain) on disposal of equipment	-	(8)	1	(121)
Loss (gain) on early termination of leases	11	(49)	(23)	(60)
Operating (loss) income	(295)	426	(1,471)	319
Impairment loss	271	-	3,412	-
Net finance costs	9	60	72	155
(Loss) income before income taxes	(575)	366	(4,955)	164
Provision for income taxes:				
Current	5	-	5	-
Deferred income tax (reduction)	-	(75)	288	(192)
	5	(75)	293	(192)
Net (loss) income	(580)	\$ 441	(5,248)	356
Other comprehensive income (loss):				
Items that may be subsequently reclassified:				
Exchange differences on translating foreign operations	10	24	(100)	(56)
Net (loss) income and comprehensive (loss) income	\$ (590)	\$ 417	\$ (5,148)	\$ 412

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6. DISCONTINUED OPERATIONS (continued)

(b) Ambassador Mechanical LP

On November 1, 2019, Mosaic sold its ownership interest in Ambassador Mechanical LP ("**Ambassador**") to an unrelated third party for gross proceeds of \$14,802. Included in the gross proceeds is \$1,645 of contingent accounts receivable requiring Ambassador to meet certain working capital criteria 60 days, 1 year and 18 months post-transaction. The Company recognized an after-tax gain of \$6,713 on this disposition as follows:

Proceeds	\$	14,802
Closing costs		118
Net cash consideration		14,684
Working capital		3,295
Property, plant and equipment		689
Leased assets		673
Intangible assets		2,285
Goodwill		5,432
Lease obligations		(804)
Deferred taxes		(1,151)
Non-controlling interest		(2,448)
Net assets disposed		7,971
After-tax gain on sale	\$	6,713

Ambassador was included in the Infrastructure business segment. Comparative period balances of the consolidated statements of income and comprehensive income and cash flows have been restated. The following table provides the operating results of this discontinued operations:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Revenue	\$ -	10,377	\$ -	\$ 32,689
Operating expenses	-	8,843	-	29,117
Operating income before amortization	-	1,534	-	3,572
Expenses:				
Amortization of property, plant & equipment	-	48	-	144
Amortization of leased assets	-	88	-	263
Amortization of intangible assets	-	195	-	585
Loss on disposal of equipment	-	-	-	1
Operating income	-	1,203	-	2,579
Net finance costs	-	12	-	31
Income before income taxes	-	1,191	-	2,548
Deferred income tax	-	21	-	111
Net income	\$ -	1,170	\$ -	\$ 2,437

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7. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Computer equipment	Furniture & fixtures	Equipment	Motor vehicles	Leasehold improvements	Total
Cost							
Balance at January 1, 2019	\$ 1,978	\$ 1,201	\$ 935	\$ 37,126	\$ 8,516	\$ 1,484	\$ 51,240
Additions	-	108	135	3,826	781	42	4,892
Disposals	-	(113)	(19)	(1,350)	(448)	-	(1,930)
Disposal of subsidiary	-	(145)	(209)	(1,039)	(102)	(625)	(2,120)
Transfer of ownership	-	-	-	1,256	-	-	1,256
Foreign exchange adjustment	-	(1)	(9)	(296)	(33)	(12)	(351)
Balance at December 31, 2019	\$ 1,978	\$ 1,050	\$ 833	\$ 39,523	\$ 8,714	\$ 889	\$ 52,987
Additions	-	126	52	2,778	607	140	3,703
Disposals	-	(203)	(94)	(1,619)	(649)	(107)	(2,672)
Impairment	-	(2)	(26)	(2,598)	-	-	(2,626)
Transfer of ownership	-	-	-	267	-	-	267
Foreign exchange adjustment	-	-	1	81	4	13	99
Balance at September 30, 2020	\$ 1,978	\$ 971	\$ 766	\$ 38,432	\$ 8,676	\$ 935	\$ 51,758
Accumulated amortization							
Balance at January 1, 2019	\$ 133	\$ 714	\$ 396	\$ 16,133	\$ 4,511	\$ 612	\$ 22,499
Amortization	66	145	110	4,338	1,207	225	6,091
Disposals	-	(102)	(7)	(781)	(331)	-	(1,221)
Disposal of subsidiary	-	(105)	(151)	(637)	(92)	(448)	(1,433)
Transfer of ownership	-	-	-	1,256	-	-	1,256
Foreign exchange adjustment	-	(1)	(2)	(88)	(14)	(2)	(107)
Balance at December 31, 2019	\$ 199	\$ 651	\$ 346	\$ 20,221	\$ 5,281	\$ 387	\$ 27,085
Amortization	48	92	62	2,843	771	93	3,909
Disposals	-	(167)	(69)	(1,249)	(447)	(48)	(1,980)
Transfer of ownership	-	-	-	267	-	-	267
Foreign exchange adjustment	-	1	-	41	1	1	44
Balance at September 30, 2020	\$ 247	\$ 577	\$ 339	\$ 22,123	\$ 5,606	\$ 433	\$ 29,325
Carrying value							
At December 31, 2019	\$ 1,779	\$ 399	\$ 487	\$ 19,302	\$ 3,433	\$ 502	\$ 25,902
At September 30, 2020	\$ 1,731	\$ 394	\$ 427	\$ 16,309	\$ 3,070	\$ 502	\$ 22,433

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8. LEASED ASSETS

	Buildings	Computer equipment	Furniture & fixtures	Equipment	Motor vehicles	Total
Cost						
Balance at January 1, 2019	\$ 19,593	\$ 212	\$ 59	\$ 8,440	\$ 4,861	\$ 33,165
Additions	4,505	83	21	1,338	2,288	8,235
Disposals	(44)	-	(12)	(916)	(1,674)	(2,646)
Disposal of subsidiary	(1,184)	-	(23)	-	(977)	(2,184)
Transfer of ownership	-	-	-	(1,256)	-	(1,256)
Foreign exchange adjustment	(44)	-	-	(45)	(40)	(129)
Balance at December 31, 2019	22,826	295	45	7,561	4,458	35,185
Additions	2,018	75	16	449	906	3,464
Disposals	(1,995)	(212)	-	(1,628)	(1,878)	(5,713)
Impairment	-	-	-	-	(76)	(76)
Transfer of ownership	-	-	-	(267)	-	(267)
Foreign exchange adjustment	37	-	-	41	18	96
Balance at September 30, 2020	\$ 22,886	\$ 158	\$ 61	\$ 6,156	\$ 3,428	\$ 32,689
Accumulated amortization						
Balance at January 1, 2019	\$ 7,610	\$ 158	\$ 31	\$ 3,898	\$ 2,387	\$ 14,084
Amortization	2,899	39	16	1,738	1,429	6,121
Disposals	(356)	-	(12)	(629)	(1,179)	(2,176)
Disposal of subsidiary	(818)	-	(13)	-	(680)	(1,511)
Transfer of ownership	-	-	-	(1,256)	-	(1,256)
Foreign exchange adjustment	(22)	-	-	(19)	(18)	(59)
Balance at December 31, 2019	9,313	197	22	3,732	1,939	15,203
Amortization	2,297	38	9	1,264	943	4,551
Disposals	(1,574)	(206)	-	(1,190)	(1,410)	(4,380)
Transfer of ownership	-	-	-	(267)	-	(267)
Foreign exchange adjustment	23	-	-	23	13	59
Balance at September 30, 2020	\$ 10,059	\$ 29	\$ 31	\$ 3,562	\$ 1,485	\$ 15,166
Carrying value						
At December 31, 2019	\$ 13,513	\$ 98	\$ 23	\$ 3,829	\$ 2,519	\$ 19,982
At September 30, 2020	\$ 12,827	\$ 129	\$ 30	\$ 2,594	\$ 1,943	\$ 17,523

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9. INTANGIBLE ASSETS

	Trade name	Customer relationships	Non-compete & employment agreements	Other	Total
Cost					
Balance at January 1, 2019	\$ 12,159	\$ 75,322	\$ 6,837	\$ 490	\$ 94,808
Fully amortized assets derecognized	-	(12,981)	(5,537)	(483)	(19,001)
Disposal of subsidiary	(595)	(5,200)	-	-	(5,795)
Foreign exchange adjustment	-	-	-	(7)	(7)
Balance at December 31, 2019	11,564	57,141	1,300	-	70,005
Impairment	(1,106)	(2,781)	-	-	(3,887)
Balance at September 30, 2020	\$ 10,458	\$ 54,360	\$ 1,300	\$ -	\$ 66,118
Balance at January 1, 2019	\$ -	\$ 28,164	\$ 4,851	\$ 446	\$ 33,461
Amortization	-	10,629	1,586	47	12,262
Fully amortized assets derecognized	-	(12,981)	(5,537)	(483)	(19,001)
Disposal of subsidiary	-	(3,510)	-	-	(3,510)
Foreign exchange adjustment	-	-	-	(10)	(10)
Balance at December 31, 2019	-	22,302	900	-	23,202
Amortization	-	5,455	209	-	5,664
Balance at September 30, 2020	\$ -	\$ 27,757	\$ 1,109	\$ -	\$ 28,866
Carrying value					
At December 31, 2019	\$ 11,564	\$ 34,839	\$ 400	\$ -	\$ 46,803
At September 30, 2020	\$ 10,458	\$ 26,603	\$ 191	\$ -	\$ 37,252

10. GOODWILL

Goodwill	
Balance at January 1, 2019	\$ 90,748
Disposal of subsidiary	(5,431)
Impairment	(13,900)
Balance at December 31, 2019	\$ 71,417
Impairment	(23,637)
Balance at September 30, 2020	\$ 47,780

11. IMPAIRMENT TESTING FOR INTANGIBLE ASSETS AND GOODWILL

The Company completed an impairment test for indefinite life intangible assets and goodwill as at June 30, 2020 based on management's best estimates of market participant assumptions including weighted average cost of capital. The forecasts are based on management's best estimate using market participant assumptions considering historical and expected operating plans, current strategies, economic conditions, and the general outlook for the industry and markets in which the cash generating units ("CGU") operate.

The recoverable amount of the CGUs was based on value in use using a discounted cash flow model, which requires management to make a number of significant assumptions including assumptions relating to future operating plans, discount rates and future growth rates. The assumptions include the Company's pre-tax weighted average cost of capital at the assessment date (level 3 within the fair value hierarchy). Management has prepared cash flow estimates for a five-year period which are extrapolated using estimated terminal growth rate of 3.0% and a discount rate in the range (pre-tax) of 12% - 15%.

The Company concluded that Allied Cathodic, Bassi, Circle 5, Kendall's Supply and Mackow, required an aggregate impairment of \$27,523 to goodwill and intangible assets as a result of this value in use calculation because the carrying value was greater than the recoverable value as at June 30, 2020. The reduction in recoverable value was attributable to expectations of future financial performance resulting from the Pandemic's impact on geographical, industries and sectors that these CGUs operate within and their current and expected future cash flows.

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11. IMPAIRMENT TESTING FOR INTANGIBLE ASSETS AND GOODWILL (continued)

By segment the impairment was:

	Impairment
Infrastructure	
Bassi	\$ 4,900
Diversified	
Allied Cathodic	3,123
Circle 5	11,700
Kendall's	3,800
Mackow	4,000
	\$ 27,523

As at June 30, 2020, a 1.0% change in the discount rate used would result in an additional impairment of \$1,975 for these same CGUs.

12. CREDIT FACILITY AND OPERATING LINES

(a) Credit facility

Mosaic has a \$50,000 revolving Credit Facility agreement with a Canadian financial institution, bearing interest at rates ranging from prime plus 0.50% - 1.50% with maturity of May 31, 2023.

The Credit Facility is secured by general security agreements granted by Mosaic and certain of its subsidiaries together with an assignment of securities that Mosaic holds in certain subsidiaries as well as guarantees granted by certain of Mosaic's subsidiaries.

The Credit Facility contains quarterly financial covenants that Mosaic will not at any time, without prior written consent, breach the following restrictions:

	Total Debt to Gross EBITDA	Net Funded Debt to EBITDA	Debt Service Coverage Ratio
September 30, 2020	< 4.00	< 4.25	> 1.25
December 31, 2020	< 4.00	< 4.25	> 1.10
March 31, 2021	< 3.50	< 3.75	> 1.10
June 30, 2021	< 3.50	< 3.50	> 1.50
September 30, 2021 and thereafter	< 3.25	< 3.25	> 1.50

If the Company declares any common share dividends, the financial covenants accelerate to the September 30, 2021 requirements.

As at September 30, 2020, Mosaic was in compliance with these covenants.

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12. CREDIT FACILITY AND OPERATING LINES (continued)

(b) Operating loans

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

					Balance outstanding	
					September 30, 2020	December 31, 2019
Facility type	Gross Availability	Restrictions to availability	Security			
Cedar	Revolving demand	\$ 1,800	75% of AR	GSA	\$ -	\$ -
Circle 5	Revolving demand	6,000	AR & Inv	GSA	-	1,507
Industrial Scaffold	Revolving term	7,500 ⁽⁶⁾	75% of AR	GSA & AA	-	-
Mackow	Revolving demand	3,000	AR & Inv	GSA	-	-
Place-Crete	Revolving demand	4,000	75% of AR	GSA	-	-
SECON	Revolving demand	10,350	75% of AR	GSA & AA	-	-
SECON	5-year term	6,000	CAPEX	GSA & AA	-	-
Total	\$ 38,650				\$ -	\$ 1,507

(1) "AR" – eligible trade accounts receivable;

(2) "Inv" – inventories;

(3) "CAPEX" – capital expenditures;

(4) "AA" – assignment of all assets;

(5) "GSA" – general security agreement; and

(6) Expands from \$3,000 to \$7,500 for May 1 to December 31 each year

13. NOTES PAYABLE

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

					Balance outstanding	
					September 30, 2020	December 31, 2019
Facility type	Term	Interest	Security			
Cedar	VTB note	Apr 2020	5.0%	Cedar GSA	\$ -	\$ 4,333
Industrial Scaffold	Promissory note	Jan 2021	5.0%	NA	2,074	4,147
Place-Crete	Promissory note	Jan 2020	5.0%	Place-Crete GSA	-	46
Printing Unlimited	Term loan	Oct 2020	P + 0.75%	Mortgage	540	551
SECON	Term loan	5 years	3.2%	Mortgage	599	629
All subsidiaries	Equipment and leasehold	< 5 years	< P + 0.5%	GSA & FC	4,451	3,722
All subsidiaries	Unamortized discount				(24)	(134)
Total notes payable					7,640	13,294
Current portion					(4,170)	(8,096)
Non-current portion					\$ 3,470	\$ 5,198

(1) "P" – Bank of Canada prime rate;

(2) "VTB" – vendor take back;

(3) "GSA" – general security agreement;

(4) "MG" – Mosaic guarantee; and

(5) "FC" – first charge on specific assets.

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13. NOTES PAYABLE (continued)

Payments of principal amounts owing are scheduled as follows:

	Principal repayments
October 2020 – September 2021	\$ 4,194
October 2021 – September 2022	1,980
October 2022 – September 2023	938
October 2023 – September 2024	513
October 2024 and after	39
Less: unamortized discount	(24)
	\$ 7,640

14. LEASE OBLIGATIONS

The following table represents the amounts included in operating expenses in the statement of income and comprehensive income related to lease obligations:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Short term leases	\$ 1,151	\$ 2,310	\$ 3,971	\$ 6,183
Low value leases	\$ 63	\$ 61	\$ 189	\$ 119

Details of lease obligations are as follows:

As at	September 30, 2020	December 31, 2019
Building leases	\$ 13,846	\$ 14,435
Computer hardware leases	130	100
Furniture & fixtures leases	30	24
Production & rental equipment leases	3,005	3,787
Vehicle leases	2,088	2,673
Total leases	19,099	21,019
Current portion	(5,495)	(5,752)
Non-current portion	\$ 13,604	\$ 15,267

Payments of principal amounts owing are scheduled as follows:

	Principal repayments
October 2020 – September 2021	\$ 5,495
October 2021 – September 2022	4,196
October 2022 – September 2023	2,725
October 2023 – September 2024	2,273
October 2024 and after	4,410
	\$ 19,099

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15. COMMON SHARE PURCHASE WARRANTS

Mosaic has common share purchase warrants (the "**Warrants**") entitling the holder to acquire up to 17,026,106 common shares of Mosaic at a price of \$8.81 (eight point eighty-one) per common share until January 26, 2024. The holder has the option to exercise the Warrants on a cashless basis whereby they can elect to be issued a number of common shares calculated as the number of Warrants multiplied by the common share market value at time of exercise minus the Warrant strike price (\$8.81 per Warrant), divided by the common share market value at time of exercise. As such, the Warrants were deemed as a derivative liability and are measured at fair value with changes in fair value recognized through the consolidated statements of income and comprehensive income at each reporting period. A change in the inputs utilized to calculate the fair value such as the Company's share price, volatility, remaining life, common share liquidity, dilution impact and interest rate may have a material impact on the consolidated statements of income and comprehensive income at each reporting period.

On January 27, 2017, the Warrants were valued using the residual value methodology as they were issued as part of an aggregate \$150,000 offering (the "**Offering**") which included the Debentures and 6% Preferred Securities. Under the residual value methodology, the Debentures and 6.0% Preferred Securities were valued first, as their valuation inputs were more readily observable. Accordingly, the Warrants were valued as the residual amount of \$20,555, calculated as the total proceeds of the Offering minus the fair value of the Debentures and the Preferred Securities.

In determining the fair value of the Warrants as at September 30, 2020, the Company used an option pricing model with the following assumptions: weighted average volatility rate of 30%; risk-free interest rate of 2.00%; liquidity discount of 20%; and expected life of 3.25 years. The liquidity discount involves significant management judgment and is an unobservable input which is categorized within Level 3 of the fair value hierarchy.

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

As at	September 30, 2020	December 31, 2019
Principal amount	\$ 20,555	\$ 20,555
Unamortized discount	(20,544)	(17,375)
	\$ 11	\$ 3,180

16. EQUITY-BASED COMPENSATION

(a) Share options

The Company has adopted an incentive stock option plan (the "**SO Plan**") in accordance with the policies of the Exchange for the benefit of its directors, officers, employees and other key personnel. A maximum of 10.0% of the issued and outstanding common shares of the Company are reserved for issuance pursuant to the SO and restricted share unit (the "**RSU**") Plans. The SO Plan provides that the terms of the options and the option price shall be fixed by the directors subject to the price restrictions and other requirements imposed by the Exchange.

	Number of share options	Weighted average exercise price
Balance, January 1, 2019	724,462	\$ 6.21
Exercised	(49,640)	4.80
Forfeited	(83,998)	7.17
Balance, December 31, 2019	590,824	6.19
Balance, September 30, 2020	590,824	\$ 6.19

Exercise price	Share options outstanding September 30, 2020			Share options exercisable September 30, 2020	
	Number of share options	Remaining contractual life	Weighted average exercise price	Number of share options	Weighted average exercise price
\$ 4.23	113,987	0.67 years	\$ 4.23	113,987	\$ 4.23
\$ 6.07	42,683	0.84 years	6.07	42,683	6.07
\$ 8.74	136,981	1.53 years	8.74	136,981	8.74
\$ 5.78	287,780	2.54 years	5.78	191,860	5.78
\$ 6.00	9,393	2.66 years	6.00	6,262	6.00
Total	590,824	1.82 years	\$ 6.19	491,773	\$ 6.27

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16. EQUITY-BASED COMPENSATION (continued)

(a) Share options (continued)

Exercise price	Share options outstanding December 31, 2019			Share options exercisable December 31, 2019	
	Number of share options	Remaining contractual life	Weighted average exercise price	Number of share options	Weighted average exercise price
\$ 4.23	113,987	1.42 years	\$ 4.23	113,987	\$ 4.23
\$ 6.07	42,683	1.59 years	6.07	42,683	6.07
\$ 8.74	136,981	2.28 years	8.74	91,325	8.74
\$ 5.78	287,780	3.29 years	5.78	95,930	5.78
\$ 6.00	9,393	3.41 years	6.00	3,131	6.00
Total	590,824	2.57 years	\$ 6.19	347,056	\$ 6.09

(b) Restricted share units

The Company has an incentive RSU Plan in accordance with the policies of the Exchange for the benefit of its directors, officers, employees and other key personnel. A maximum of 10.0% of the issued and outstanding common shares of the Company are reserved for issuance pursuant to the SO and RSU Plans. The RSUs vest equally over 3 years. The RSU Plan provides that the terms of the RSUs shall be determined by the directors subject to requirements imposed by the Exchange.

	Number of restricted share units
Balance, January 1, 2019	310,461
Granted	155,279
Vested and released	(60,287)
Forfeited	(16,887)
Balance, December 31, 2019	388,566
Granted	341,344
Vested and released	(86,050)
Forfeited	(20,944)
Balance, September 30, 2020	622,916

As at September 30, 2020, 311,695 (December 31, 2019 – 282,656) common shares have been purchased and were being held by the trustee under Mosaic equity-based compensation plans for the benefit of plan participants.

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17. REVENUE

For the three months ended September 30, 2020	Infra- structure	Diversified	Total
Type of revenue			
Product sales	\$ 8,906	\$ 10,217	\$ 19,123
Services (including equipment rental)	8,348	15,325	23,673
Construction services	45,109	3,100	48,209
	\$ 62,363	\$ 28,642	\$ 91,005
Timing of revenue recognition			
At a point in time	\$ 8,906	\$ 13,317	\$ 22,223
Over a period of time	53,457	15,325	68,782
	\$ 62,363	\$ 28,642	\$ 91,005
For the three months ended September 30, 2019	Infra- structure	Diversified	Total
Type of revenue			
Product sales	\$ 9,041	\$ 12,259	\$ 21,300
Services (including equipment rental)	12,555	15,302	27,857
Construction services	52,624	5,519	58,143
	\$ 74,220	\$ 33,080	\$ 107,300
Timing of revenue recognition			
At a point in time	\$ 9,041	\$ 17,778	\$ 26,819
Over a period of time	65,179	15,302	80,481
	\$ 74,220	\$ 33,080	\$ 107,300
For the nine months ended September 30, 2020	Infra- structure	Diversified	Total
Type of revenue			
Product sales	\$ 18,924	\$ 25,443	\$ 44,367
Services (including equipment rental)	21,738	36,709	58,447
Construction services	121,936	11,993	133,929
	\$ 162,598	\$ 74,145	\$ 236,743
Timing of revenue recognition			
At a point in time	\$ 18,924	\$ 37,436	\$ 56,360
Over a period of time	143,674	36,709	180,383
	\$ 162,598	\$ 74,145	\$ 236,743
For the nine months ended September 30, 2019	Infra- structure	Diversified	Total
Type of revenue			
Product sales	\$ 17,502	\$ 36,450	\$ 53,952
Services (including equipment rental)	23,320	39,054	62,374
Construction services	159,938	15,428	175,366
	\$ 200,760	\$ 90,932	\$ 291,692
Timing of revenue recognition			
At a point in time	\$ 17,502	\$ 51,878	\$ 69,380
Over a period of time	183,258	39,054	222,312
	\$ 200,760	\$ 90,932	\$ 291,692

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

18. NET FINANCE COSTS

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Interest:				
Expense related to debt instruments	\$ 1,627	\$ 1,836	\$ 4,573	\$ 5,415
Expense related to lease obligations	237	235	708	690
Income on cash and cash equivalents	(43)	(103)	(167)	(213)
Accretion expense	200	212	615	813
Amortization of borrowing costs	124	79	369	366
	\$ 2,145	\$ 2,259	\$ 6,098	\$ 7,071

19. FAIR VALUE ADJUSTMENT

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Common share purchase warrants	\$ (89)	\$ (678)	\$ (3,170)	\$ 2,381
Non-controlling interest put options	260	237	758	687
Contingent accounts receivable	124	-	21	-
Contingent consideration	-	-	-	(184)
Risk management contracts	(96)	26	(133)	(760)
	\$ 199	\$ (415)	\$ (2,524)	\$ 2,124

20. EARNINGS PER SHARE

(Loss) earnings per share is calculated as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Net income (loss) and comprehensive income (loss) for common equity holders from continuing operations – Basic	\$ 2,776	\$ 1,463	\$ (13,488)	\$ (7,175)
Net (loss) income and comprehensive (loss) income for common equity holders from discontinued operations – Basic	(561)	1,271	(4,900)	2,204
Effect of dilutive securities	169	169	-	-
Net income (loss) for common shareholders – Diluted	\$ 2,384	\$ 2,903	\$ (18,388)	\$ (4,971)
Weighted average number of common shares – Basic	10,705,665	10,621,420	10,677,583	10,628,982
Weighted average number of common shares – Diluted	12,277,860	12,193,615	10,677,583	10,628,982
Basic EPS from continuing operations	\$ 0.26	\$ 0.14	\$ (1.26)	\$ (0.67)
Basic EPS from discontinued operations	(0.05)	0.12	(0.46)	0.20
Basic EPS	\$ 0.21	\$ 0.26	\$ (1.72)	\$ (0.47)
Diluted EPS from continuing operations	\$ 0.23	\$ 0.12	\$ (1.26)	\$ (0.67)
Diluted EPS from discontinued operations	(0.05)	0.10	(0.46)	0.20
Diluted EPS	\$ 0.18	\$ 0.22	\$ (1.72)	\$ (0.47)

For the three months ended September 30, 2020, the Company excluded 590,824 stock options and 17,026,106 warrants, as their inclusion would be anti-dilutive (2019 – 476,837 stock options and 17,026,106 warrants). For the nine months ended September 30, 2020, the Company excluded 590,824 stock options, 17,026,106 warrants, and 13,124 convertible debentures as their inclusion would be anti-dilutive (2019 – 460,353 stock options, 17,026,106 warrants, and 13,124 convertible debentures).

Mosaic Capital Corporation

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21. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash operating working capital:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Trade, accrued and other receivables	\$ (7,801)	\$ (9,121)	\$ 6,161	\$ (7,336)
Accrued contract revenue	(1,918)	6,676	1,302	3,663
Inventories	965	1,468	338	1,819
Deposits and prepaid expenses	51	233	(481)	(494)
Trade, accrued and other payables	10,246	(1,770)	809	(1,048)
Deferred contract revenue	(687)	(437)	(3,343)	1,443
	\$ 856	\$ (2,951)	\$ 4,786	\$ (1,953)

22. COMPENSATION

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

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Personnel and personnel related expenses	\$ 37,660	\$ 38,950	\$ 94,447	\$ 104,389
Equity-based compensation	208	196	635	555
	\$ 37,868	\$ 39,146	\$ 95,082	\$ 104,944

23. GOVERNMENT SUBSIDIES

The Company was eligible for the Canada Emergency Wage Subsidy grant administered by the federal government of Canada as a part of the response to the Pandemic. By business segment, all amounts were recognized as a reduction to operating expenses as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Infrastructure	\$ 4,385	\$ -	\$ 9,892	\$ -
Diversified	3,106	-	6,451	-
Corporate	124	-	327	-
Discontinued operations	18	-	112	-
	\$ 7,633	\$ -	\$ 16,782	\$ -

24. CONTINGENT LIABILITIES

Certain subsidiaries of Mosaic are contingently liable for contractor obligations relating to performance and completion of construction contracts. These may include contingent liabilities for subcontractors failing to meet their contractual performance obligations. As part of normal ongoing operations, it is possible that Mosaic and its subsidiaries could become involved in litigation and claims from time to time. Management is not presently aware of any litigation or claims where likelihood and quantum of liability can be reasonably estimated and which would materially affect the financial position or financial performance of Mosaic. In addition, Mosaic or its subsidiaries may provide indemnifications, in the normal course of business, that are often standard contractual terms to counterparties in certain transactions, such as purchase and sale agreements or service contracts. The terms of these indemnifications will vary based upon the contract, the nature of which prevents Mosaic from making a reasonable estimate of the maximum potential amounts that may be required to be paid.

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25. FINANCIAL INSTRUMENTS

The Company is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Company's risk exposure and concentration.

(a) Fair value

Due to the short-term nature of: cash and cash equivalents; trade, accrued, and other receivables; trade, accrued, and other payables and distributions payable; the Company has determined that the carrying amounts approximate fair value. The carrying amounts of operating loan, credit facility, lease obligations and notes payable also approximate fair value as they were entered recently and interest rates have not changed materially during the period.

(b) Liquidity risk

Liquidity risk is the risk that the Company will incur difficulties in meeting its financial obligations as they come due. The table below summarizes the future undiscounted contractual cash flow requirements as at September 30, 2020 for its financial liabilities:

	Carrying amount	Contractual cash flow	Less than 12 months	1 – 2 years	2 -3 years	Thereafter
Trade, accrued, and other payables	\$ 52,421	\$ 52,421	\$ 52,421	-	-	-
Distributions payable	1,512	1,512	1,512	-	-	-
Redeemable non-controlling interest	19,938	20,700	20,700	-	-	-
Credit facility	15,343	17,185	614	614	15,957	-
Notes payable	7,640	8,016	4,363	2,065	972	616
Lease obligations	19,099	21,653	6,304	4,728	3,101	7,520
Debentures	48,229	58,312	2,500	2,500	2,500	50,812
Convertible debentures	12,585	1,382	919	463	-	-
Common share purchase warrants	11	-	-	-	-	-
Non-controlling interests put options	10,981	12,332	7,583	1,583	1,583	1,583
	\$ 187,759	\$ 193,513	\$ 96,916	\$ 11,953	\$ 24,113	\$ 60,531

The Company's liquidity requirements are met through the cash generated from operations. Management monitors and manages its liquidity risk through regular monitoring of its financial liabilities against the constraints of its available financial assets.

(c) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk can be heightened from exposure to a single customer or to several customers that have similar qualities and characteristics. The impact of the Pandemic has potentially increased this risk from exposure to customer liquidity risks. The Company's exposure to credit risk is primarily related to cash and cash equivalents held with financial institutions and the carrying value of its trade, accrued and other receivables. The Company is subject to a concentration of credit risk as 11.3% (December 31, 2019 – 20.3%) of trade receivables is from its three largest customers. The Company continuously evaluates the financial condition and credit worthiness of all customers and potential customers in order to mitigate such risk. In the event that losses do occur, all impairments are recognized in the profit and loss.

(d) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk. The Company does not currently have any significant direct exposure to currency risk, commodity price risk or other price risk. Management believes the risk faced by the Company with regard to market risk is an acceptable risk faced in the ordinary course of business. General economic conditions globally, including the relative strength of the Canadian dollar may adversely affect the value of the Company's business and the value of its financial instruments.

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25. FINANCIAL INSTRUMENTS (continued)

(e) Interest rate risk

The Company is exposed to interest rate risk to the extent that the Credit facility bears interest based on prime rates. Based on outstanding amounts under the Credit facilities at September 30, 2020, a 1% movement in the prime rate would change the interest expense by approximately \$230 (2019 - \$207).

26. SEGMENTED INFORMATION

Mosaic's reportable business segments include strategic business units that offer different products and services but share similar economic characteristics and/or operate in similar geographic locations and represent those components of the Company that are evaluated regularly by the chief operating decision maker in assessing performance and allocating resources.

Mosaic has two reportable business segments:

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

"Corporate" is used in the following segment tables is not a separate segment and is only presented to reconcile to the consolidated results. It consists of expenses incurred at the Company's head office. Mosaic evaluates each segment's performance based on operating income. Mosaic's method of calculating operating income may differ from that of other corporations and therefore may not be comparable to measures utilized by them.

For the three months ended September 30, 2020	Infra- structure	Diversified	Corporate	Total
Revenue	\$ 62,363	\$ 28,642	\$ -	\$ 91,005
Operating expenses	51,382	21,644	1,123	74,149
	10,981	6,998	(1,123)	16,856
Amortization:				
Property, plant and equipment	476	751	4	1,231
Leased assets	625	706	19	1,350
Intangible assets	857	986	-	1,843
Gain on disposal of property and equipment	(13)	(44)	-	(57)
Gain on termination of lease obligations	(3)	(6)	-	(9)
Equity-based compensation	-	-	208	208
Operating income (loss)	9,039	4,605	(1,354)	12,290
Net finance costs	138	212	1,795	2,145
Foreign exchange loss	26	289	-	315
Share of joint venture loss	-	-	9	9
Fair value adjustment	253	(89)	35	199
Income (loss) before taxes	8,622	4,193	(3,193)	9,622
Provision for income tax:				
Current	173	93	-	266
Deferred (reduction)	111	160	865	1,136
	284	253	865	1,402
Net income (loss)	\$ 8,338	\$ 3,940	\$ (4,058)	\$ 8,220
Purchase of property, plant and equipment	\$ 244	\$ 1,397	\$ -	\$ 1,641

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26. SEGMENTED INFORMATION (continued)

For the three months ended September 30, 2019	Infra- structure	Diversified	Corporate	Total
Revenue	\$ 74,220	\$ 33,080	\$ -	\$ 107,300
Operating expenses	66,706	26,843	1,018	94,567
	7,514	6,237	(1,018)	12,733
Amortization:				
Property, plant and equipment	519	731	5	1,255
Leased assets	514	689	22	1,225
Intangible assets	1,398	1,636	-	3,034
Loss (gain) on disposal of property and equipment	61	10	11	82
Gain on termination of lease obligations	21	(1)	-	20
Equity-based compensation	-	-	196	196
Operating income (loss)	5,001	3,172	(1,252)	6,921
Net finance costs	293	331	1,635	2,259
Foreign exchange loss	2	(80)	-	(78)
Share of joint venture loss	-	-	(17)	(17)
Fair value adjustment	236	27	(678)	(415)
Income (loss) before taxes	4,470	2,894	(2,192)	5,172
Provision for income tax:				
Current	19	76	(5)	90
Deferred (reduction)	(156)	40	211	95
	(137)	116	206	185
Net income (loss)	\$ 4,607	\$ 2,778	\$ (2,398)	\$ 4,987
Purchase of property, plant and equipment	\$ 148	\$ 1,651	\$ 43	\$ 1,842

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26. SEGMENTED INFORMATION (continued)

For the nine months ended September 30, 2020	Infra- structure	Diversified	Corporate	Total
Revenue	\$ 162,598	\$ 74,145	\$ -	\$ 236,743
Operating expenses	138,774	60,176	3,155	202,105
	23,824	13,969	(3,155)	34,638
Amortization:				
Property, plant and equipment	1,412	2,211	11	3,634
Leased assets	1,834	2,199	77	4,110
Intangible assets	2,561	3,103	-	5,664
Loss (gain) on disposal of property and equipment	8	167	(2)	173
(Gain) loss on termination of lease obligations	(8)	17	-	9
Equity-based compensation	-	-	635	635
Operating income (loss)	18,017	6,272	(3,876)	20,413
Impairment loss	4,900	22,623	-	27,523
Net finance costs	433	596	5,069	6,098
Foreign exchange loss	47	(376)	-	(329)
Share of joint venture income	-	-	(34)	(34)
Fair value adjustment	733	(109)	(3,148)	(2,524)
Income (loss) before taxes	11,904	(16,462)	(5,763)	(10,321)
Provision for income tax:				
Current	404	239	-	643
Deferred (reduction)	(1,027)	(4,525)	1,654	(3,898)
	(623)	(4,286)	1,654	(3,255)
Net income (loss)	\$ 12,527	\$ (12,176)	\$ (7,417)	\$ (7,066)
Purchase of property, plant and equipment	\$ 1,398	\$ 2,305	\$ -	\$ 3,703

Mosaic Capital Corporation

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26. SEGMENTED INFORMATION (continued)

For the nine months ended September 30, 2019	Infra- structure	Diversified	Corporate	Total
Revenue	\$ 200,760	\$ 90,932	\$ -	\$ 291,692
Operating expenses	184,649	76,509	3,573	264,731
	16,111	14,423	(3,573)	26,961
Amortization:				
Property, plant and equipment	1,585	2,101	12	3,698
Leased assets	1,452	2,062	68	3,582
Intangible assets	4,217	4,935	-	9,152
Loss (gain) on disposal of property and equipment	108	(34)	71	144
Gain on termination of lease obligations	(14)	(4)	-	(18)
Equity-based compensation	-	-	555	555
Operating income (loss)	8,763	5,364	(4,279)	9,848
Net finance costs	817	905	5,349	7,071
Foreign exchange loss	(18)	474	-	456
Share of joint venture loss	-	-	20	20
Fair value adjustment	502	(759)	2,381	2,124
Income (loss) before taxes	7,462	4,744	(12,029)	177
Provision for income tax:				
Current	23	217	(12)	228
Deferred (reduction)	(269)	(390)	111	(548)
	(246)	(173)	99	(320)
Net income (loss)	\$ 7,708	\$ 4,917	\$ (12,128)	\$ 497
Purchase of property, plant and equipment	\$ 918	\$ 2,995	\$ 47	\$ 3,960
As at September 30, 2020	Infra- structure	Diversified	Corporate	Total
Total assets	\$ 144,785	\$ 115,106	\$ 14,448	\$ 274,339
Total liabilities	\$ 61,197	\$ 29,874	\$ 97,816	\$ 188,887
As at December 31, 2019	Infra- structure	Diversified	Corporate	Total
Total assets	\$ 144,840	\$ 144,529	\$ 15,974	\$ 305,343
Total liabilities	\$ 63,894	\$ 36,605	\$ 98,785	\$ 199,284

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27. SUBSEQUENT EVENT

(a) Redeemable non-controlling interest

On October 22, 2020, the Company concurrently issued \$10,000 of new subordinated partnership units and redeemed the existing \$20,000 of subordinated partnership units. The new redeemable NCI bears interest at 8.0% per annum and matures on January 13, 2023. Mosaic incurred \$175 in transaction costs.