MOSAIC CAPITAL CORPORATION

Consolidated Financial Statements (audited)
For the years ended December 31, 2018 and 2017

"Growth through sustainable cash flow"

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

As at December 31,		2018		2017
ASSETS				
Current assets:				
Cash and cash equivalents	$	**14,766**	$	9,400
Trade, accrued and other receivables *(note 6)*		**96,045**		76,777
Accrued contract revenue *(note 7)*		**24,725**		17,286
Inventories *(note 8)*		**12,719**		9,399
Deposits and prepaid expenses		**1,314**		1,386
Assets held for sale *(note 9)*		**3,687**		8,115
		153,256		122,363
Non-current assets:				
Investment in joint venture		**2,238**		2,382
Property, plant and equipment *(note 10)*		**33,945**		37,816
Intangible assets *(note 11)*		**61,347**		80,734
Goodwill *(note 12)*		**90,748**		85,638
Deferred income tax asset *(note 23)*		**2,020**		-
TOTAL ASSETS	$	**343,554**	$	328,933
LIABILITIES AND EQUITY				
Liabilities				
Current liabilities:				
Operating loans *(note 16)*	$	**798**	$	-
Trade, accrued and other payables *(note 14)*		**62,811**		41,755
Distributions payable		**1,512**		1,512
Risk management contracts *(note 15)*		**754**		-
Income taxes payable		**550**		1,361
Deferred contract revenue *(note 7)*		**6,187**		3,603
Current portion of contingent consideration		**177**		625
Current portion of notes payable *(note 17)*		**9,308**		4,634
Liabilities associated with assets held for sale *(note 9)*		**2,392**		2,521
		84,489		56,011
Non-current liabilities:				
Credit facility *(note 16)*		**27,402**		19,357
Contingent consideration		**-**		1,085
Notes payable *(note 17)*		**14,132**		15,158
Debentures *(note 18)*		**47,424**		47,001
Convertible debentures *(note 19)*		**11,957**		11,384
Common share purchase warrants *(note 20)*		**917**		15,792
Redeemable non-controlling interest *(note 21)*		**19,615**		19,430
Non-controlling interest put options *(note 22)*		**11,324**		18,644
Deferred income tax liability *(note 23)*		**-**		1,308
Total liabilities		**217,260**		205,170
Equity				
Common shares *(note 24)*		**34,955**		35,052
Preferred securities *(note 24)*		**82,395**		82,395
Contributed surplus		**2,205**		1,791
Convertible debentures *(note 19)*		**838**		816
Retained earnings:				
Cumulative earnings		**57,930**		39,721
Cumulative translation adjustment		**239**		(278)
Cumulative dividends/distributions		**(104,184)**		(93,727)
Total shareholders' equity		**74,378**		65,770
Non-controlling interests		**51,916**		57,993
TOTAL LIABILITIES AND EQUITY	$	**343,554**	$	328,933

Commitments and contingent liabilities *(note 34)*
Subsequent event *(note 37)*
See accompanying notes to the consolidated financial statements.

signed "*John Mackay*"
John Mackay, Director

signed "*Gary Bentham*"
Gary Bentham, Director

Mosaic Capital Corporation

Consolidated Statements of Income and Comprehensive Income

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

For the year ending December 31,		2018		2017
REVENUE *(note 26)*	**$**	**397,119**	$	312,141
OPERATING EXPENSES *(note 27)*		**366,879**		284,897
OPERATING INCOME BEFORE AMORTIZATION		**30,240**		27,244
EXPENSES				
Amortization of income producing properties		**-**		195
Amortization of property, plant and equipment		**8,010**		7,002
Amortization of intangible assets		**14,284**		9,428
Loss on disposal of equipment		**1,704**		94
Equity-based compensation *(note 25)*		**767**		391
		24,765		17,110
Operating income		**5,475**		10,134
Impairment loss *(notes 9 and 13)*		**828**		3,798
Net finance costs *(note 29)*		**10,654**		8,103
Foreign exchange (gain) loss		**(328)**		131
Share of joint venture income		**(227)**		(717)
Other income		**(1,146)**		(1,593)
(Loss) income before change in fair value and income taxes		**(4,306)**		412
Change in fair value *(note 30)*		**(18,308)**		(4,763)
Income before income taxes		**14,002**		5,175
Provision for income taxes:				
Current		**841**		1,838
Deferred reduction *(note 23)*		**(3,328)**		(4,058)
		(2,487)		(2,220)
NET INCOME		**16,489**		7,395
Other comprehensive (income) loss:				
Items that may be subsequently reclassified:				
Exchange differences on translating foreign operations		**(564)**		278
NET INCOME AND COMPREHENSIVE INCOME	**$**	**17,053**	$	7,117
Net income and comprehensive income attributable to:				
Equity holders of Mosaic Capital Corporation	**$**	**6,316**	$	(5,208)
Preferred dividends/distributions		**5,999**		7,006
Non-controlling interests		**4,738**		5,319
	$	**17,053**	$	7,117
Earnings (loss) per common share *(note 31)*:				
Basic	**$**	**0.60**	$	(0.51)
Diluted	**$**	**0.57**	$	(0.51)

See accompanying notes to the consolidated financial statements.

Mosaic Capital Corporation

Consolidated Statements of Changes in Equity

(in thousands of Canadian dollars)

(note 24)	Common shares	Preferred securities	Other securities	Contributed surplus	Convertible debentures	Cumulative earnings	Cumulative translation adjustment	Cumulative dividends / distributions	Total shareholders' equity	Non-controlling interest (revised)	Total equity
Balance at January 1, 2017	$ 17,853	$ 102,161	$ 26,379	$ 1,652	$ 1,164	$ 54,761	$ -	$ (78,663)	$ 125,307	$ 43,196	$ 168,503
Redemptions and retractions	-	(102,161)	(26,379)	-	-	-	-	(3,626)	(132,166)	-	(132,166)
Issue of preferred securities	-	82,672	-	-	-	-	-	-	82,672	-	82,672
Issue of common shares	15,193	-	-	-	-	-	-	-	15,193	-	15,193
Convertible debenture conversions	2,270	-	-	-	(154)	-	-	-	2,116	-	2,116
Deferred tax adjustment	-	-	-	-	(194)	-	-	-	(194)	-	(194)
Restricted share unit purchase	(300)	-	-	-	-	-	-	-	(300)	-	(300)
Restricted share unit issuances	210	-	-	(210)	-	-	-	-	-	-	-
Exercise of common share options	582	-	-	(42)	-	-	-	-	540	-	540
Security transaction costs	(756)	(277)	-	-	-	-	-	-	(1,033)	-	(1,033)
Non-controlling interest acquisition	-	-	-	-	-	(47)	-		(47)	-	(47)
Distributions declared on preferred securities	-	-	-	-	-	-	-	(6,737)	(6,737)	-	(6,737)
Dividends declared on common shares	-	-	-	-	-	-	-	(4,432)	(4,432)	-	(4,432)
Distributions declared on private yield securities	-	-	-	-	-	-	-	(269)	(269)	-	(269)
Distributions to non-controlling interests	-	-	-	-	-	-	-	-	-	(5,377)	(5,377)
Equity-based compensation	-	-	-	391	-	-	-	-	391	-	391
Non-controlling interest put options	-	-	-	-	-	(17,069)	-	-	(17,069)	-	(17,069)
Non-controlling interests acquired or added under a business combination	-	-	-	-	-	-	-	-	-	14,808	14,808
Contributions by non-controlling interests	-	-	-	-	-	-	-	-	-	47	47
Net income and comprehensive income	-	-	-	-	-	2,076	(278)	-	1,798	5,319	7,117
Balance at December 31, 2017	$ 35,052	$ 82,395	$ -	$ 1,791	$ 816	$ 39,721	$ (278)	$ (93,727)	$ 65,770	$ 57,993	$ 123,763
Balance at January 1, 2018	**$ 35,052**	**$ 82,395**	**$ -**	**$ 1,791**	**$ 816**	**$ 39,721**	**$ (278)**	**$ (93,727)**	**$ 65,770**	**$ 57,993**	**$ 123,763**
Distributions declared on preferred securities	-	-	-	-	-	-	-	(5,999)	**(5,999)**	-	**(5,999)**
Dividends declared on common shares	-	-	-	-	-	-	-	(4,458)	**(4,458)**	-	**(4,458)**
Distributions to non-controlling interest	-	-	-	-	-	-	-	-	**-**	(4,425)	**(4,425)**
Equity-based compensation	-	-	-	767	-	-	-	-	767	-	**767**
Amortization of debt issue costs	-	-	-	-	22	-	-	-	22	-	**22**
Restricted share unit purchases	(411)	-	-	-	-	-	-	-	(411)	-	**(411)**
Exercise of common share options	314	-	-	(353)	-	-	-	-	(39)	-	**(39)**
Settlement of non-controlling interest put option	-	-	-	-	-	6,411	-	-	6,411	-	**6,411**
Non-controlling interests acquired	-	-	-	-	-	-	-	-	-	(7,718)	**(7,718)**
Contributions by non-controlling interests	-	-	-	-	-	-	-	-	-	1,328	**1,328**
Net income and comprehensive income	-	-	-	-	-	11,798	517	-	12,315	4,738	**17,053**
Balance at December 31, 2018	**$ 34,955**	**$ 82,395**	**$ -**	**$ 2,205**	**$ 838**	**$ 57,930**	**$ 239**	**$ (104,184)**	**$ 74,378**	**$ 51,916**	**$ 126,294**

The prior year's disclosure was revised to include non-controlling interest as a component of total equity.

See accompanying notes to the consolidated financial statements.

Mosaic Capital Corporation

Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)

For the year ending December 31,		2018		2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	**$**	**16,489**	$	7,395
Adjustments for:				
Amortization of income producing properties		**-**		195
Amortization of property, plant and equipment		**8,010**		7,002
Amortization of intangible assets		**14,284**		9,428
Loss on disposal of equipment		**1,704**		94
Equity-based compensation		**767**		391
Impairment loss *(notes 9 and 13)*		**828**		3,798
Accretion expense *(note 29)*		**2,665**		2,902
Amortization of borrowing costs *(note 29)*		**584**		306
Share of joint venture income		**(227)**		(717)
Other income		**(1,146)**		(1,593)
Change in fair value *(note 30)*		**(18,308)**		(4,763)
Deferred income tax (reduction)		**(3,328)**		(4,058)
Cash provided before non-cash working capital		**22,322**		20,380
Net change in non-cash working capital *(note 32)*		**(5,796)**		(12,515)
Net cash provided by operating activities		**16,526**		7,865
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of intangible assets *(note 11)*		**-**		(301)
Business combinations *(note 5)*		**-**		(41,000)
Purchase of property, plant and equipment *(notes 9 and 10)*		**(5,196)**		(6,943)
Proceeds on disposal of property, plant and equipment		**689**		1,213
Proceeds on disposal of assets held for sale		**3,625**		-
Distributions received from joint venture		**371**		1,830
Payment of contingent consideration		**(450)**		(549)
Net cash used in investing activities		**(961)**		(45,750)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from operating loans *(note 16)*		**798**		-
Proceeds from credit facility *(note 16)*		**12,317**		32,104
Repayment of credit facility *(note 16)*		**(4,299)**		(37,029)
Credit facility transaction costs		**(118)**		(277)
Proceeds from notes payable *(note 17)*		**1,739**		2,229
Repayment of notes payable *(note 17)*		**(5,595)**		(9,786)
Proceeds received from issuance of debentures		**-**		50,000
Proceeds received from redeemable non-controlling interest		**-**		20,000
Proceeds from subscription privileges		**-**		15,193
Exercise of stock options		**75**		540
Restricted share unit purchases		**(411)**		(300)
Restricted share unit released *(note 25)*		**(114)**		-
Dividends paid to common shareholders		**(4,458)**		(4,432)
Proceeds received from issuance of preferred securities		**-**		100,000
Distributions paid to preferred security holders		**(5,998)**		(6,099)
Redemption of preferred securities		**-**		(104,746)
Redemption of series "A" shares		**-**		(900)
Dividends paid to series "A" shareholders		**-**		(7)
Retraction of private yield securities		**-**		(26,520)
Distributions paid to private yield security holders		**-**		(473)
Distributions paid to non-controlling interests		**(4,425)**		(5,377)
Contribution from non-controlling interest		**216**		-
Security transaction costs		**-**		(1,773)
Net cash (used in) provided by financing activities		**(10,273)**		22,347
Net change in cash and cash equivalents		**5,292**		(15,538)
Cash and cash equivalents, beginning of period		**9,400**		24,938
Effect of translation on foreign cash		**74**		-
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$**	**14,766**	$	9,400
Supplementary cash flow information:				
Interest received	**$**	**185**	$	177
Interest paid	**$**	**6,910**	$	5,035
Income taxes paid	**$**	**1,514**	$	239

See accompanying notes to the consolidated financial statements.

1. REPORTING ENTITY

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

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

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

2. BASIS OF PREPARATION

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") and include the accounts of Mosaic and its subsidiaries. All intercompany balances and transactions are eliminated.

The consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company (the "**Board**") on March 20, 2019.

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company, its subsidiaries, controlled limited partnerships together with its interests in joint operations.

Subsidiaries and controlled limited partnerships are all entities over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. These entities are fully consolidated from the date on which control is transferred to the Company and continue to be consolidated until the date control ceases. All intercompany transactions, balances, income and expenses are eliminated on consolidation.

Joint arrangements are classified as joint ventures. The Company has recognized its proportionate share of revenues, expenses, assets and liabilities relating to these joint operations.

Statement of net income and each component of other comprehensive income ("**OCI**") are attributed to the equity holders of the Company and to the non-controlling interest, even if this results in the non-controlling interest having a deficit balance. All intra-group assets and liabilities, equity, income, expenses, and cash flows relating to transactions between the subsidiaries of the Company are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Company loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;
- Derecognizes the translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes any surplus or deficit in the consolidated statement of income and comprehensive income;
- Reclassifies the parent’s share of components previously recognized as OCI to the consolidated statement of income and comprehensive income, as appropriate, as would be required of the Company had directly disposed of the related assets or liabilities; and
- Recognizes the fair value of the remaining investment.

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

2. BASIS OF PREPARATION *(continued)*

(b) Basis of consolidation *(continued)*

The consolidated financial statements of Mosaic include the following significant subsidiaries ("**Subsidiary**") listed below. The ultimate holding entity of the entities is Mosaic.

	Ownership interest	
As at December 31,	**2018**	2017
Allied Cathodic Services L.P. ("**Allied Cathodic**")	**80%**	80%
Ambassador Mechanical L.P. ("**Ambassador**")	**75%**	75%
Bassi Construction L.P. ("**Bassi**")	**70%**	70%
Cedar Infrastructure Products L.P. ("**Cedar**")	**75%**	75%
Circle 5 Tool & Mold LP ("**Circle 5**")	**75%**	75%
First West Properties L.P. ("**FWPLP**")	**100%**	100%
Industrial Scaffold Services L.P. ("**Industrial Scaffold**")	**85%**	68%
Kendall's Supply Ltd. ("**Kendall's Supply**")	**89%**	89%
Mackow Industries L.P. ("**Mackow**")	**80%**	80%
Place-Crete Systems L.P. ("**Place-Crete**")	**75%**	75%
Printing Unlimited L.P. ("**Printing Unlimited**")	**100%**	100%
Remote Waste L.P. ("**Remote Waste**")	**95%**	95%
Secon Holdings LP. ("**SECON**")	**69%**	75%

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

Non-controlling interests ("**NCI**") represent equity interests in subsidiaries owned by former controlling interest parties. NCIs are measured at their 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.

(c) Basis of measurement

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

(d) Functional and presentation currency

The Company, its subsidiaries and controlled limited partnerships each determine their functional currency based on the currency of the primary economic environment in which they operate. Transactions denominated in a currency other than the functional currency of an entity are translated at the exchange rate in effect on the transaction date. The resulting exchange gains and losses are included in each entity's net earnings in the period in which they arise.

A component of the Company has foreign operations which are translated to the Company's presentation currency for inclusion in the consolidated financial statements. These foreign operations include subsidiaries of Mackow and Remote Waste. Foreign-denominated monetary and non-monetary assets and liabilities of foreign operations are translated at exchange rates in effect at the end of the reporting period and revenue and expenses are translated at exchange rates in effect on the transaction date. The resulting translation gains and losses are included in OCI with the cumulative gain or loss reported in Accumulated Other Comprehensive Income (Loss) ("**AOCI**"). Amounts previously recognized in AOCI are recognized in net earnings when there is a reduction in a foreign net investment as a result of a disposal, partial disposal, or loss of control.

(e) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS 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.

2. BASIS OF PREPARATION *(continued)*

(e) Use of estimates and judgments *(continued)*

Key areas of estimation where management has made difficult, complex or subjective assumptions, often as a result of matters inherently uncertain are as follows:

i. Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is measured at a point in time and may change in subsequent periods.

Where possible, fair value is determined by reference to quoted prices in the most advantageous active market available to the Company. In the absence of an active market, fair value is determined on the basis of valuation models, including discounted cash flow models. These models require assumptions of the amount and timing of future cash flows, discount rates and market conditions at the measurement date. External observable market data are used for these assumptions when available. When such data is not available, the Company uses the best possible estimate

ii. Fair value of assets and liabilities acquired in a business combination

Acquired assets and assumed liabilities are recognized at fair value on the date the Company effectively obtains control. The measurement of each business combination is based on the information available on the acquisition dates. The estimate of fair value of the acquired intangible assets (including goodwill), property, plant and equipment, other assets, liabilities assumed and contingent consideration are based on assumptions. The measurement is largely based on projected cash flows, discount rates and market conditions at the date of acquisition.

iii. Allowance for doubtful accounts

The Company applies an expected credit loss approach in determining allowances for doubtful accounts. The approach that the Company has taken for trade receivables is a provision matrix approach whereby lifetime expected credit losses are recognized based on aging characterization and credit worthiness of customers. Specific provisions may be used where there is information that a specific customer's expected credit losses has increased.

iv. Useful lives of property, plant and equipment and intangible assets

The Company estimates the useful lives of property, plant and equipment and intangible assets based on the period over which the assets are expected to be available for use. The estimated useful lives are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of relevant assets. In addition, the estimation of the useful lives are based on internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives would increase the recorded expenses and decrease the non-current assets.

v. Impairment of non-current assets

Impairment exists when the carrying value of an asset or cash generating unit ("**CGU**") exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in arm’s length transactions of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. Cash flows are derived from the projection for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance an asset’s performance. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

vi. Accrued liabilities

Measurement of accrued liabilities involves the use of estimates to be made by management for determining the amount to be accrued and/or disclosed in the consolidated financial statements. These estimates are based on the financial information available to management at the time of preparation of the consolidated financial statements.

vii. Compound financial instruments

The Company has issued a variety of financial instruments that require judgement to determine whether the security should be classified as an equity instrument, a financial liability or a compound financial instrument with both equity and liability components. Key factors impacting the classification of these instruments include the existence of maturity dates, mandatory interest and principal payments, conversion and redemption rights, subordination to other equity instruments and the ability to settle the instrument in cash or equity.

2. BASIS OF PREPARATION *(continued)*

(e) Use of estimates and judgments *(continued)*

viii. Provision for income tax

Provision for income tax is made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of each reporting period. However, it is possible that at some future date an additional liability could result from audits by tax authorities of the jurisdictions in which it operates. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made. Deferred tax assets are reviewed at the end of each reporting period and recognized to the extent that it is probable that sufficient tax profits will be available to allow all or part of the asset to be recovered. Management applies judgement in determining the likelihood of future taxable profits.

ix. Revenue

The Company's revenue policy was changed effective January 1, 2018 in accordance with IFRS 15. Refer to Note 3(a)iii *"IFRS 15 – Revenue From Contracts With Customers"*. Revenue is recognized when performance obligations are identifiable and recorded when goods or services are delivered to customers. Transaction prices are derived from specific selling prices either at the time of delivery or when the contract is signed with the customer for future delivery of products or services. The Company determines revenue to be transferred at a point in time when the physical asset or service is immediately transferred or consumed by the end customer. Revenue is considered to be transferred over a period of time when a series of activities are performed over a longer period of time to deliver a service or good to the customer.

For goods and services transferred over a period of time, revenue is recognized as the costs incurred to date compared to the total expected costs to be incurred to complete the contract. These estimates include assumptions regarding scheduling, costs of materials and labour, workforce productivity, changes in project scope and the ability to negotiate change orders to the original contract. The key estimates are applied consistent with those applied for the year ended December 31, 2018. These assumptions are subject to change over the construction period as new information becomes available. Revenue from change orders is recognized to the extent that management estimates that realization is probable.

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

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

x. Determination of CGUs

For the purposes of assessing impairment of non-financial assets, the Company must determine CGUs. Assets and liabilities are grouped into CGUs at the lowest level of separately identifiable cash flows. Determination of what constitutes a CGU is subject to management judgement. The asset composition of a CGU can directly impact the recoverability of assets included within the CGU. The Company has determined that its CGUs are its subsidiaries as detailed in Note 2(b) *"Basis of Preparation – Basis of Consolidation"*.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below are applied consistently to the periods presented.

(a) Changes in accounting policy

i. IFRS 2 – Share-based payments

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

ii. IFRS 9 – Financial Instruments: Classification and Measurement

IFRS 9 was issued in November 2009 and replaced IAS 39 – Financial Instruments Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Changes in accounting policy *(continued)*

ii. IFRS 9 – Financial Instruments: Classification and Measurement *(continued)*

cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39.

A finalized version of IFRS 9 was issued in July 2014 to include impairment requirements for financial assets and limited amendments to the classification and measurement requirements by introducing a fair value through other comprehensive income measurement category for certain simple debt instruments. This standard must be applied for accounting periods beginning on or after January 1, 2018, with earlier adoption permitted. Mosaic has adopted the new standard, and it did not have a material impact on its financial results and financial position.

Comparative financial information for the year ended December 31, 2017, has not been restated and continues to be reported under the accounting standards in effect for that period.

iii. IFRS 15 – Revenue from Contracts with Customers

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

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

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

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

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

- the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs;
- the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Changes in accounting policy *(continued)*

iii. IFRS 15 – Revenue from Contracts with Customers

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

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

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

Contract Costs

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

Contract Assets and Liabilities

Contract assets (accrued contract revenue) are comprised of the Company's rights to consideration for work completed but not billed at the reporting date and accounts receivable. Contract assets are transferred to receivables when the rights to receipt are unconditional and may be affected by the timing of the monthly billing cycles. Contract liabilities (deferred contract revenue) relate to payments received in advance of contractual activities performed under the contract. Contract liabilities are recognized as revenue as or when these contractual activities have been performed. The Company does not adjust transaction prices for the effects of a significant financing component when the period between the transfer of the promised goods or services to the customer and payment by the customer is less than one year.

Comparative financial information for the year ended December 31, 2017, has not been restated and continues to be reported under the accounting standards in effect for that period with the exception of a reclassification of the contract asset "accrued contract revenue" from trade, accrued and other receivables.

(b) Changes in accounting estimate

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

	Original Useful Lives	Amended Useful Lives	Increased expense, 2018
Customer relationships	4-15 years	3-15 years	$ 4,464
Non-compete agreements	5 years	3-6 years	$ 108

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Future accounting standards

i. IFRS 16 – Leases

Effective January 1, 2019, the Company will be adopting IFRS 16. IFRS 16 specifies how an entity will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting which is substantially unchanged from its predecessor, IAS 17 - Leases. Application is required for annual reporting periods beginning on or after January 1, 2019. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. The Company intends to adopt the full retrospective effect.

IFRS 16 is expected to significantly increase the assets and liabilities on the consolidated statement of financial position as the majority of leases disclosed in Note 34 – "*Commitments and Contingencies*" to these consolidated financial statements are in scope for IFRS 16.

(d) Subsidiaries and business combinations

Mosaic uses the acquisition method to account for the acquisition of subsidiaries and assets that meet the definition of a business. The acquisition method is applied as follows:

- The cost of an acquisition is measured as the fair value of the identifiable assets given, equity instruments issued and liabilities incurred or assumed at the acquisition date.
- Identifiable assets acquired and liabilities assumed are measured at their fair value at the acquisition date.
- The excess of acquisition cost over the fair value of the identifiable net assets acquired is recorded as goodwill and is allocated to each of the CGUs or group of CGUs expected to benefit from the acquisition's synergies.
- If the acquisition cost is less than the fair value of the net assets acquired, the fair value of the net assets is reassessed and any remaining difference is recognized directly in income.
- Transaction costs incurred in connection with a business combination, other than those associated with the issue of debt or equity, are expensed as incurred.
- Step acquisitions are accounted for by calculating non-controlling interests up to the date of a change and calculating non-controlling interests beyond that date at the new percentage ownership.

If the initial accounting for assets acquired or liabilities assumed in a business combination can only be determined provisionally, subsequent adjustments to the allocation may be recognized if they occur within 12 months of the acquisition. After 12 months, adjustments are recognized through income. The adjustments made as a result of finalizing the provisional accounting are retrospectively recognized from the acquisition date. As a result, adjustments to amortization are retrospectively recorded to reflect the final accounting for the business combination.

Non-controlling interests in the net assets of Mosaic's subsidiaries are identified separately from equity. Non-controlling interests include the amount of non-controlling interest at the date of the original business combination and the non-controlling interests' share of changes in equity since the date of combination.

(e) Financial instruments

Mosaic's financial instruments are:

Financial instrument	Initial measurement	Subsequent measurement
Cash and cash equivalents	Fair value	Amortized cost
Trade, accrued and other receivables	Fair value	Amortized cost
Trade, accrued and other payables	Fair value	Amortized cost
Liabilities associated with assets held for sale	Fair value	Amortized cost
Risk management contracts	Fair value	Fair value through profit and loss
Credit facility	Fair value	Amortized cost
Contingent consideration	Fair value	Fair value through profit and loss
Notes payable	Fair value	Amortized cost
Debentures	Fair value	Amortized cost
Convertible debentures	Fair value	Amortized cost
Common share purchase warrants	Fair value	Fair value through profit and loss
Redeemable non-controlling interest	Fair value	Amortized cost
Non-controlling interests put options	Fair value	Fair value through profit and loss

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Financial instruments *(continued)*

i. Non-derivative financial assets

The Company initially recognizes trade, accrued and other receivables on the date that they originate. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire or it transfers the rights to receive the contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, there is a legal right to offset the amounts and the Company intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial assets: cash and cash equivalents and trade, accrued and other receivables.

ii. Non-derivative financial liabilities

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date at which it becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of operating loans for the purpose of the consolidated statement of cash flows.

The Company has the following non-derivative financial liabilities: trade, accrued and other payables, credit facility, contingent consideration, notes payable, debentures, redeemable non-controlling interest and non-controlling interests put options.

(f) Cash and cash equivalents

Cash and cash equivalents consist of amounts held in current bank accounts and short-term investments with maturities of less than three months.

(g) Trade, accrued and other receivables

Trade, accrued and other receivables are recorded based on the revenue recognition policy and are presented net of an allowance for doubtful accounts. The Company applies an expected credit loss approach in determining allowances for doubtful accounts. Contracts in progress represent the gross unbilled amounts expected to be collected from customers for contract work performed to date. It is measured at cost plus estimated fees earned to date less progress billings. If progress billings for a project exceed costs incurred plus estimated fees, the difference is presented as deferred contract revenue.

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. Cost is determined on either a weighted-average or a first-in, first-out basis, depending on the subsidiary, and includes costs to purchase or manufacture and other costs incurred in bringing the inventories to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and variable selling costs.

(i) Assets held for sale

Properties and equipment are classified as held for sale if it is highly probable their carrying amounts will be recovered through a disposition rather than through future operating cash flows. This classification requires that, at the balance sheet date, the Company has been engaged in an active sales process to market the properties at a price that approximates their fair value, with a transaction expected to close within one year. Before properties and equipment are classified as held for sale, they are assessed for indicators of impairment or reversal of previously recorded impairment and are measured at the lower of their carrying amount and fair value less costs of disposal. Any impairment charges and recoveries are recognized through profit and loss. Assets held for sale are classified as current assets and not subject to depreciation. Liabilities associated with assets held for sale are classified as current liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Investments in joint ventures

Joint ventures are joint arrangements that provide joint control whereby the company has rights to the net assets of the joint arrangement, rather than rights to its assets and obligations for its liabilities. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are accounted for using the equity method of accounting, except when the investment is classified as held for sale. Under the equity method, the investment in initially recognized at cost and adjusted thereafter to recognize Mosaic's share of the profit or loss and OCI of the joint venture. On acquisition of an investment in joint venture, any excess of the cost of the investment over the Company's share of the net fair value of the identifiable assets and liabilities of the investment is recognized as goodwill. When the Company's share of losses of a joint venture exceeds the Company's interest in that joint venture, the Company discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the joint venture.

When internal or external indicators are present, the entity carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

(k) Property, plant and equipment

Property, plant and equipment are carried at historical cost less accumulated amortization and impairment losses. Historical cost includes the acquisition cost or production cost as well as the costs directly attributable to bringing the asset to the location and condition necessary for its use in operations. When property, plant and equipment include significant components with different useful lives, they are recorded and amortized separately. The Company leases some items of property, plant and equipment. Assets acquired under finance lease contracts are capitalized at the lower of the fair value of future minimum lease payments and market value and the related debt is recorded in notes payable.

Amortization is charged to income over the estimated useful lives of each component of an item of property, plant and equipment as follows:

	Rates	Methods
Buildings	4%	Declining balance
Computer equipment	30%	Declining balance
Furniture and fixtures	20%	Declining balance
Leasehold improvements	Term of lease	Straight-line
Motor vehicles	30%	Declining balance
Production and rental equipment	20% - 30%	Declining balance

(l) Intangible assets

Acquired intangible assets are stated at cost less accumulated amortization and impairment losses. Amortization is charged to income on a straight-line basis over the estimated useful lives of the asset as follows:

	Rates	Methods
Computer software	1 year	Straight-line
Customer relationships	3-15 years	Straight-line
Employee agreements	10 years	Straight-line
Backlog	1 year	Straight-line
Non-compete agreements	3-6 years	Straight-line
Step-up leases	Term of lease	Straight-line
Development costs	2 years	Straight-line
Trade names	Indefinite life	NA

(m) Goodwill

Goodwill arises on the acquisition of businesses, associates, and joint ventures. Goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortized but is tested at least annually for impairment.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) Impairment of assets

All non-financial assets are reviewed at the end of each reporting period to determine whether the carrying amount may not be recoverable. If evidence of impairment is identified, the asset is tested for impairment. Goodwill and indefinite life intangible assets are tested for impairment once a year in the fourth quarter and when there is an indication that the asset may be impaired.

For purposes of impairment testing, if an asset does not generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets, it is grouped with other assets to create a CGU. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the business combination

The recoverable amount of an asset or a CGU is the higher of its fair value less costs to sell and its value in use. Value in use is determined based on cash flow projections consistent with the most recent budget and business plan approved by management. The discount rate applied reflects current assessments by the market of the time value of money and the risks specific to the asset or CGU. The calculation takes into account net cash flows to be received on disposal of the asset or CGU at the end of its useful life. Fair value less costs to sell is the estimated amount obtainable from the sale of the asset or CGU in an arm's length transaction between knowledgeable and willing parties, less costs to sell. These values are determined based on market data (comparison with similar listed companies, value attributed in recent transactions and stock market prices), or in the absence of reliable data, based on discounted future cash flows.

An impairment loss is recognized when the carrying amount of any asset or its CGU exceeds its estimated recoverable amount. Impairment losses are allocated to first reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit

An impairment loss recognized in prior periods for an asset or a CGU other than goodwill is reversed when there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized and resulting in an increase in recoverable value. If this is the case, the carrying amount of the asset is increased to its recoverable amount, without exceeding the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior periods. An impairment loss recognized for goodwill cannot be reversed.

(o) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The periodic unwinding of the discount is recognized in profit or loss as an accretion expense within finance cost as it occurs.

(p) Trade, accrued and other payables

Trade, accrued and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method.

(q) Deferred contract revenue

Deferred contract revenue is recorded based on the revenue recognition policy for contract revenue on construction projects. Deposits are received from customers at the beginning of the contract. Amounts are relieved from deferred contract revenue as revenue is recognized based on the percentage of completion method.

(r) Notes payable, debentures and redeemable non-controlling interest

Notes payable, debentures and redeemable non-controlling interest are recognized initially at fair value, net of transaction costs incurred. Subsequently, these liabilities are stated at amortized costs with any difference between the proceeds and redemption value recognized in the profit or loss over the term of the debt using the effective interest rate method. These liabilities are classified as current unless the Company has an unconditional right to defer settlement for at least 12 months after the consolidated statement of financial position date.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Employee benefits

i. Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under the short-term cash bonus plans of the Company has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee and the obligation can be estimated reliably.

ii. Termination benefits

Termination benefits are recognized as an expense when the Company is committed, to a formal detailed plan to terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary retirement.

iii. Share-based compensation

The fair value of share-based compensation awards granted to employees is recognized as an expense on the grant date with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards (vesting period). The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

(t) Taxation

Income tax provision comprises current and deferred tax. Income tax provision is recognized in income except to the extent that it relates to items recognized directly in equity or OCI.

Current tax is the expected tax payable on the taxable income, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax assets and liabilities are offset to the extent the Company has the legal right to settle on a net basis.

Deferred tax assets and liabilities are recognized for temporary differences between reported amounts for financial statement and tax purposes using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are only recognized for temporary differences, unused tax losses and unused tax credits if it is probable that future taxable profits will be available to utilize these amounts.

Deferred tax is not recognized from the initial recognition (other than in a business combination) of other assets or liabilities in a transaction that affects neither taxable profit nor accounting profit. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the tax rates and laws that are enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset to the extent the Company has the legal right to settle on a net basis.

(u) Foreign currency translation

Transactions in foreign currencies are translated using the exchange rate prevailing at the date of the transaction. At each reporting date, foreign currency denominated monetary assets and liabilities are translated at period end exchange rates. Exchange differences arising from the transaction are recorded in income, except for exchange differences relating to borrowings hedging net investments denominated in the consolidated subsidiaries' currency. These differences are recognized in OCI as currency translation differences until the disposal of the net investment. Exchange differences arising from operating transactions are recorded in income for the period; exchange difference related to financing transactions are recognized as finance costs or income, or in OCI.

The assets and liabilities of a foreign operation, are translated in Canadian dollars at period-end exchange rates. Income and expenses, and cash flows of a foreign operation are translated into Canadian dollars using average exchange rates. Differences resulting from translating foreign operations are reported as translation differences in OCI. When a foreign operation is disposed of, the translation differences previously recognized in OCI are reclassified to income.

(v) Share capital

Common shares and preferred securities are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(w) Common share purchase warrants

The Company's common share purchase warrants are described further in Note 20 "*Common Share Purchase Warrants*". The warrants are accounted for in accordance with the fair value based method. The fair value of warrants is measured using a Black-Scholes pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected forfeiture rate (based on historic forfeitures), expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information including volatilities of peer companies), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Upon expiry, the related amount in common share purchase warrants is transferred to contributed surplus. The change in fair value is accounted for as a gain or loss in income.

(x) Equity-based compensation

The Company's share option plan ("**SO**" or "**SO Plan**") and restricted share unit plan ("**RSU**" or "**RSU Plan**") are described further in Note 25 "*Equity-based Compensation*". The SO Plan and RSU Plan are accounted for in accordance with the fair value based method. The fair value of SOs is measured at the grant date using Black-Scholes option pricing model and the fair value of RSUs is estimated based on the quoted market price for the Company's common shares. The fair value is recorded as share-based compensation over the vesting period using a graded vesting schedule with an offsetting credit to contributed surplus. Upon exercise of SOs or vesting of RSUs, the proceeds received by the Company, together with the related amount in contributed surplus will be added to share capital. Where awards are forfeited, the expense previously recorded is proportionately reversed.

(y) Equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all its liabilities. Share capital is recorded at the cost of common shares or preferred securities. Costs related to the issuance of common shares, preferred securities, or share options are reported in equity, net of tax, as a deduction of the issuance proceeds.

(z) Non-controlling interests put options

The Company accounts for non-controlling interests that have been granted a put option as a non-derivative financial liability. Non-controlling interests continue to be recognized because the non-controlling interest holders have access to the returns associated with their underlying ownership interest. As such, the impact of recognizing the financial liability has been included in the cumulative earnings of the Company and has no impact on the measurement of the non-controlling interest. The liability is re-measured each period with gains and losses recorded through profit and loss as fair value adjustments.

(aa) Per share amounts

Basic earnings per share ("**EPS**") is calculated by dividing the net income attributable to common shareholders of Mosaic, less distributions approved for equity instruments ranking in preference to the common shares, by the weighted average number of common shares outstanding during the period. Diluted EPS is determined by adjusting the net income or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all potentially dilutive instruments.

(bb) Segmented reporting

A reporting segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All reporting segments' operating results are reviewed regularly by the Company's key decision makers where financial information is available to make decisions about resources to be allocated to the segment and assess its performance.

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.

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

4. DETERMINATION OF FAIR VALUES *(continued)*

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

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

(b) Trade, accrued and other payables

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

(c) Equity-based compensation transactions

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

(d) Contingent consideration

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

(e) Other non-derivative financial liabilities

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

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

		Fair value		
As at December 31, 2018	**Face value**	**Level 1**	**Level 2**	**Level 3**
Other financial liabilities				
Risk management contracts *(note 15)*	$ 5,765	$ -	$ 754	$ -
Contingent consideration	207	-	-	177
Common share purchase warrants	20,555	-	-	917
Non-controlling interests put options	14,363	-	-	11,324
Total financial liabilities	**$ 40,890**	**$ -**	**$ 754**	**$ 12,418**

		Fair value		
As at December 31, 2017	Face value	Level 1	Level 2	Level 3
Other financial liabilities				
Contingent consideration	$ 2,088	$ -	$ -	$ 1,710
Common share purchase warrants	20,555	-	-	15,792
Non-controlling interest put options	24,652	-	-	18,644
Total financial liabilities	$ 47,295	$ -	$ -	$ 36,146

For level 3 financial liabilities as at December 31, 2018, a 1.0% change in the interest rate used would change the total financial liabilities by approximately $258 (2017 - $723).

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

5. BUSINESS COMBINATIONS

The Company uses the acquisition method of accounting whereby the assets acquired and the liabilities assumed are recorded at their fair value with any excess of the aggregate consideration over the fair value of the identifiable net assets allocated to goodwill.

(a) Circle 5

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

The following table sets out the details of the Circle 5 acquisition including the consideration given and allocation of the purchase price to the fair value of the assets acquired and liabilities assumed.

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

The goodwill is deductible for income tax purposes.

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

(b) Cedar

On May 1, 2017, Mosaic completed the acquisition of a 75% interest in the business being carried on by Cedar Infrastructure Products Inc. The remaining 25% was retained by its founders. Cedar is a distributor of municipal iron castings, concrete pipe, pre-cast products and related specialty items to service the road, water and sewer infrastructure and residential construction industries in Vaughan, Ontario. Cedar is classified as part of the infrastructure reporting segment.

A portion of the purchase price is contingent upon the future results of operations of Cedar meeting specified targets for each of the next three years after the acquisition date with a maximum aggregate consideration payable of $1,500. The fair value of this is $262 and the fair value is reviewed at the end of each period. Under the terms of the Cedar partnership agreement the non-controlling interests are subject to put and call provisions that may result in future cash outlays.

The following table sets out the details of the Cedar acquisition including the consideration given and allocation of the purchase price to the fair value of the assets acquired and liabilities assumed.

Fair value of net assets acquired	
Working capital	$ 4,671
Property, plant and equipment	585
Intangibles	8,900
Goodwill	9,899
Non-controlling interests	(5,808)
Net assets acquired	**$ 18,247**

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

5. BUSINESS COMBINATIONS *(continued)*

(b) Cedar *(continued)*

The goodwill is deductible for income tax purposes.

Consideration given	
Cash	$ 14,000
Vendor take back loan	4,014
Contingent consideration	262
Working capital adjustment	(29)
Total consideration	**$ 18,247**

6. TRADE, ACCRUED AND OTHER RECEIVABLES

As at December 31,	**2018**	2017
Trade accounts receivable, net of provision	**$ 80,674**	$ 67,353
Holdback receivables	**11,333**	5,923
Accrued and other receivables	**4,038**	3,501
	$ 96,045	$ 76,777

Holdback receivables are amounts billed on construction contracts which are not due until the contract work is substantially completed and the applicable lien period has expired. The Company estimates that the carrying value of financial assets within trade, accrued and other receivables approximate their fair value.

The aging analysis of trade receivables is as follows:

As at December 31,	**2018**	2017
<31 days	**$ 40,224**	$ 30,253
30 – 60 days	**22,797**	16,479
61 – 90 days	**7,920**	8,284
>90 days	**12,243**	14,461
Allowance for doubtful accounts	**(2,510)**	(2,124)
Trade accounts receivable, net of provision	**$ 80,674**	$ 67,353

The change in the allowance for doubtful accounts in respect to trade, accrued and other receivables was as follows:

For the year ended December 31,	**2018**	2017
Opening balance	**$ (2,124)**	$ (1,999)
Bad debt recognized	**399**	323
Allowance for doubtful accounts recorded	**(1,391)**	(578)
Allowance for doubtful accounts reversed	**606**	130
Allowance for doubtful accounts	**$ (2,510)**	$ (2,124)

The expected credit loss allowance calculated at December 31, 2018 was $2,510 (December 31, 2017 - $2,124).

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

7. CONTRACT BALANCES

The following table provides information about contract assets (accrued contract revenue) and contract liabilities (deferred contract revenue) from contracts with customers:

As at December 31,		2018		2017
Accrued contract revenue	$	**24,724**	$	17,286
Deferred contract revenue	$	**6,187**	$	3,603

The accrued contract revenue primarily relates to the Company's rights to consideration for work completed but not billed at the reporting date on customer contracts. Accrued contract revenue is transferred to receivables when the rights to receipt are unconditional and may be affected by the timing of billing cycles. Deferred contract revenue is composed of amounts received in advance of contractual obligations performed.

Significant changes in the accrued contract revenue and deferred contract revenue are as follows:

		Accrued contract revenue		Deferred contract revenue
Balance at January 1, 2018	$	17,286	$	3,603
Progress on projects		(2,852)		157
Contracts completed		(9,323)		(2,257)
New contracts entered		19,197		4,645
Foreign exchange adjustment		416		39
Balance at December 31, 2018	**$**	**24,724**	**$**	**6,187**

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	2020	2021	2022	Total
Construction related services	$ 89,924	$ 15,198	$ 20,000	$ 13,239	$ 138,361

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

8. INVENTORIES

As at December 31,		2018		2017
Raw materials and consumables	$	**6,401**	$	4,327
Goods for resale		**5,100**		4,346
Work in progress		**1,218**		726
	$	**12,719**	$	9,399

During 2018, the Company recorded, within operating expenses, $78,471 in inventory costs (2017 - $37,190).

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

9. ASSETS HELD FOR SALE

At December 31, 2017, Mosaic determined that the income-producing properties and property held for development met the classification requirements for assets held for sale. Immediately prior to classifying these assets as held for sale, Mosaic conducted a review of the assets' recoverable amount and recognized an impairment charge of $3,798 in the statement of income and comprehensive income for the year ended December 31, 2017. The recoverable amount of these assets was based on an estimate of the assets' fair value less costs of disposal and was based on market research prepared by management.

Assets held for sale	
Balance at January 1, 2017	$ -
Additions	8,115
Balance at December 31, 2017	8,115
Additions	38
Impairment	(828)
Disposal	(3,638)
Balance at December 31, 2018	**$ 3,687**

The assets held for sale had associated liabilities of $2,392 as at December 31, 2018 (December 31, 2017 - $2,521) consisting of notes payable on the properties. The assets held for sale are expected to be divested in 2019.

10. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Computer equipment	Furniture & fixtures	Equipment	Motor vehicles	Leasehold improvements	Total
Cost							
Balance at January 1, 2017	$ 1,214	$ 1,125	$ 558	$ 30,085	$ 6,565	$ 942	$ 40,489
Business combinations	-	139	120	5,405	491	51	6,206
Additions	807	323	91	8,211	3,029	299	12,760
Disposals	-	(33)	(2)	(810)	(655)	(1)	(1,501)
Foreign exchange adjustment	-	(1)	(1)	(202)	(28)	(8)	(240)
Balance at December 31, 2017	2,021	1,553	766	42,689	9,402	1,283	57,714
Additions	-	62	362	3,949	1,804	190	6,367
Disposals	(43)	(166)	(23)	(4,078)	(1,392)	(9)	(5,711)
Foreign exchange adjustment	-	2	3	649	77	20	751
Balance at December 31, 2018	**$ 1,978**	**$ 1,451**	**$ 1,108**	**$ 43,209**	**$ 9,891**	**$ 1,484**	**$ 59,121**
Accumulated amortization							
Balance at January 1, 2017	$ 10	$ 588	$ 227	$ 9,477	$ 3,073	$ 285	$ 13,660
Amortization	66	219	90	4,847	1,646	134	7,002
Disposals	-	(16)	-	(333)	(407)	-	(756)
Foreign exchange adjustment	-	-	-	(5)	(3)	-	(8)
Balance at December 31, 2017	76	791	317	13,986	4,309	419	19,898
Amortization	59	212	157	5,929	1,454	199	8,010
Disposals	(2)	(81)	(54)	(2,150)	(598)	(8)	(2,893)
Foreign exchange adjustment	-	1	2	132	24	2	161
Balance at December 31, 2018	**$ 133**	**$ 923**	**$ 422**	**$ 17,897**	**$ 5,189**	**$ 612**	**$ 25,176**
Carrying value							
At December 31, 2017	$ 1,945	$ 762	$ 449	$ 28,703	$ 5,093	$ 864	$ 37,816
At December 31, 2018	**$ 1,845**	**$ 528**	**$ 686**	**$ 25,312**	**$ 4,702**	**$ 872**	**$ 33,945**

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

11. INTANGIBLE ASSETS

	Workforce	Trade name	Customer relationships	Backlog	Non-compete & employment agreements	Other	Total
Cost							
Balance at January 1, 2017	$ 4,710	$ 9,899	$ 56,522	$ 3,997	$ 3,777	$ 200	$ 79,105
Business combinations	400	2,260	18,800	1,100	3,060	-	25,620
Additions	-	-	-	-	-	351	351
Fully amortized assets derecognized	-	-	-	(665)	-	(78)	(743)
Balance at December 31, 2017	5,110	12,159	75,322	4,432	6,837	473	104,333
Foreign exchange adjustment	-	-	-	-	-	17	17
Fully amortized assets derecognized	-	-	-	(4,432)	-	-	(4,432)
Reclassification	(5,110)	-	-	-	-	-	(5,110)
Balance at December 31, 2018	**$ -**	**$ 12,159**	**$ 75,322**	**$ -**	**$ 6,837**	**$ 490**	**$ 94,808**
Accumulated amortization							
Balance at January 1, 2017	$ -	$ -	$ 10,537	$ 2,514	$ 1,656	$ 207	$ 14,914
Amortization	-	-	6,737	1,642	919	130	9,428
Fully amortized assets derecognized	-	-	-	(665)	-	(78)	(743)
Balance at December 31, 2017	-	-	17,274	3,491	2,575	259	23,599
Amortization	-	-	10,890	941	2,276	177	14,284
Foreign exchange adjustment	-	-	-	-	-	10	10
Fully amortized assets derecognized	-	-	-	(4,432)	-	-	(4,432)
Balance at December 31, 2018	**$ -**	**$ -**	**$ 28,164**	**$ -**	**$ 4,851**	**$ 446**	**$ 33,461**
Carrying value							
At December 31, 2017	$ 5,110	$ 12,159	$ 58,048	$ 941	$ 4,262	$ 214	$ 80,734
At December 31, 2018	**$ -**	**$ 12,159**	**$ 47,158**	**$ -**	**$ 1,986**	**$ 44**	**$ 61,347**

During the period, Workforce was reclassified from Intangible Assets to Goodwill to more accurately reflect the attributes of the asset.

12. GOODWILL

During the period, Workforce was reclassified from Intangible assets to Goodwill to more accurately reflect the attributes of the asset.

Goodwill	
Balance at January 1, 2017	$ 66,502
Business combinations	19,136
Balance at December 31, 2017	85,638
Reclassification	5,110
Balance at December 31, 2018	**$ 90,748**

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

13. IMPAIRMENT TESTING FOR INTANGIBLE ASSETS AND GOODWILL

The Company completed its annual impairment testing indefinite life intangible assets and goodwill as at December 31, 2018 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 CGUs 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 Corporation'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 (pre-tax) of 12% - 15%.

The Corporation has concluded that no impairments of its indefinite lived intangible assets or goodwill existed as a result of this assessment as at December 31, 2018. (2017 - $nil).

As at December 31, 2018, a 1.0% change in the discount rate used would not result in a required impairment.

14. TRADE, ACCRUED AND OTHER PAYABLES

As at December 31,		2018		2017
Trade accounts payable	**$**	**32,498**	$	19,140
Holdback payables		**8,066**		4,146
Accrued and other payables		**22,247**		18,469
	$	**62,811**	$	41,755

Holdback payables are amounts payable to subcontractors on construction contracts which are not due until the contract work is substantially completed. The Company estimates that the carrying value of financial liabilities within trade, accrued and other payables approximate their fair value.

15. RISK MANAGEMENT LIABILITIES

Mosaic uses foreign exchange products to manage the exposure of a portion of its future foreign denominated receipts and payment by using foreign exchange options. As the Company has chosen to not apply hedge accounting, the net realized and unrealized gains and losses in fair value of these derivatives are reported in earnings in the period in which the change in value occurs.

Notional amount sold	Notional amount purchased	Maturity	Fair value
$ 16,200 United States	$ 16,335 Canadian	2019	$ 754

16. CREDIT FACILITY AND OPERATING LINES

(a) Credit facility

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

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

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

(i) Total Debt[(1)] to Gross EBITDA[(2)] not to exceed 3.00 : 1.00;
(ii) Net Funded Debt[(3)] to EBITDA[(4)] not to exceed 3.00 : 1.00; and
(iii) Debt Service Coverage Ratio[(5)] to be not less than 1.50 : 1.00.

As at December 31, 2018, Mosaic was in compliance with these covenants.

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

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

(b) Operating loans

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

	Facility type	Availability	Restrictions to availability	Security	Balance outstanding December 31, 2018	December 31, 2017
Ambassador	Revolving demand	$ 3,000	AR & Inv	AA	**$ -**	$ -
Bassi	Revolving demand	2,000	75% of AR	GSA & AA	**-**	-
Cedar	Revolving demand	1,800	75% of AR	GSA	**-**	-
Circle 5	Revolving demand	5,000	AR & Inv	GSA	**-**	-
Industrial Scaffold	Revolving term	7,500	75% of AR	GSA & AA	**-**	-
Mackow	Revolving demand	3,000	AR & Inv	GSA	**-**	-
Place-Crete	Revolving demand	4,000	75% of AR	GSA	**-**	-
SECON	Revolving demand	6,800	75% of AR	GSA & AA	**798**	-
SECON	5-year term	4,000	CAPEX	GSA & AA	**-**	-
Total		$ 37,100			**$ 798**	$ -

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

17. NOTES PAYABLE

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

	Facility type	Term	Interest	Security	Balance Outstanding December 31, 2018	December 31 2017
Bassi	VTB note	Nov 2019	5.5%	Bassi GSA & MG	**$ 3,000**	$ 3,000
Cedar	VTB note	Apr 2020	5.0%	Cedar GSA	**4,333**	4,333
Industrial Scaffold	Promissory note	Jan 2021	5.0%	NA	**6,221**	-
Mackow	VTB loan	Jul 2019	5.0%	Mackow GSA	**1,766**	4,059
Place-Crete	Promissory note	Jan 2020	5.0%	Place-Crete GSA	**215**	335
Printing Unlimited	Term loan	3 years	P + 0.75%	Mortgage	**564**	574
SECON	Term loan	5 years	3.2%	Mortgage	**667**	705
All subsidiaries	Equipment and leasehold	< 5 years	< P + 0.5%	GSA & FC	**2,498**	1,200
All subsidiaries	Finance leases	< 5 years	< 9.6%	FC	**4,662**	6,061
All subsidiaries	Unamortized discount				**(486)**	(475)
Total notes payable					**23,440**	19,792
Current portion					**(9,308)**	(4,634)
Non-current portion					**$ 14,132**	$ 15,158

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

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

17. NOTES PAYABLE *(continued)*

Payments of principal amounts owing are scheduled as follows:

	Principal repayments
2019	$ 9,675
2020	9,030
2021	3,679
2022	1,330
2023 and after	212
Less: unamortized discount	(486)
	$ 23,440

18. DEBENTURES

On January 26, 2017, Mosaic issued $50,000 of debentures with a face value of $1,000 (one thousand) per debenture (the "**Debentures**"). The Debentures bear interest at a rate of 5% per annum, payable semi-annually, mature on January 26, 2024, are not redeemable before maturity and are secured by a security interest on all the assets of Mosaic and certain of its subsidiaries, subordinate only to the priority security interest of Mosaic's Canadian financial institution. Mosaic incurred $139 in transaction costs. Mosaic used a discount rate of 6.29%.

As at December 31,	**2018**	2017
Principal amount	**$ 50,000**	$ 50,000
Unamortized discount	**(2,475)**	(2,879)
Unamortized transaction costs	**(101)**	(120)
	$ 47,424	$ 47,001

The Debentures contains a financial covenant that total debt to gross EBITDA will not exceed 2.50:1.00 without prior written consent. Total debt is defined to include consolidated bank debt, Convertible Debentures, capital lease obligations, equipment financing obligations, vendor take-back notes and other commercial notes, all to the extent they rank in priority to the Debentures. Gross EBITDA is defined as gross earnings before interest, taxes, depreciation and amortization.

Mosaic is in compliance with this covenant as at December 31, 2018.

19. CONVERTIBLE DEBENTURES

On November 10, 2016, the Company issued $15,626, 7.0% convertible unsecured subordinated debentures with a principal value of $1,000 (one thousand) each, maturing on December 31, 2021, with interest payable semi-annually in arrears on June 30 and December 31 of each year, starting on June 30, 2017 (the "**Convertible Debentures**"). The Convertible Debentures may be converted at the option of the holder at a conversion price of $9.00 (nine) per common share or 111.11 common shares per Convertible Debenture at any time prior to maturity.

The Convertible Debentures cannot be redeemed prior to December 31, 2019. On or after December 31, 2019 and prior to December 31, 2020, the Convertible Debentures may be redeemed by the Company, at a price equal to the principal amount plus accrued and unpaid interest, only if the current volume weighted average trading price of the common shares for the 20 consecutive trading days preceding the date on which the notice is given is at least 125% of the conversion price of $9.00 (nine). Subsequent to December 31, 2020 until December 31, 2021 the Convertible Debentures are redeemable at a price equal to the principal amount plus accrued and unpaid interest.

On redemption or at maturity, the Company may repay the indebtedness of the Convertible Debentures by paying an amount equal to the principal amount of the outstanding Convertible Debentures, together with accrued and unpaid interest.

The Company may, at its option, elect to satisfy its obligation to repay the principal amount of the Convertible Debentures, which are to be redeemed or which have matured, by issuing common shares to the holders of the Convertible Debentures. The number of shares to be issued will be determined by dividing $1,000 (one thousand) of principal amount of the Convertible Debentures by 95% of the then current market price on the day preceding the date fixed for redemption or the maturity date, as the case may be.

The Company incurred underwriting fees and issuance costs of $1,187, which are allocated to the carrying value of the Convertible Debentures.

The Convertible Debentures are a compound financial instrument. The liability component represents the present value of interest and principal payments over the life of the financial instrument discounted at 9.5% which was the approximate rate available to the Company for similar debt without a conversion feature at the date the convertible debentures were issued. The liability component will be accreted to the principal value using an effective rate of 11.2%. The residual value of $1,329 was allocated to the equity component (net of tax of $1,164).

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

19. CONVERTIBLE DEBENTURES *(continued)*

During the year, the Company recorded $1,212 (2017 - $1,280) in aggregate finance costs comprised of $258 (2017 - $337) for the accretion of the Convertible Debentures and interest expense $954 (2017 - $943). The carrying value of the Convertible Debentures is as follows:

As at December 31,	2018	2017
Principal amount	$ **13,124**	$ 13,124
Unamortized discount	**(538)**	(796)
Unamortized transaction costs	**(629)**	(944)
	$ **11,957**	$ 11,384

The outstanding Convertible Debentures are as follows:

As at December 31,	2018	2017
Debt component		
Total principal amount	$ **13,124**	$ 13,124
Less:		
Unamortized financing costs	**(854)**	(1,169)
Equity component	**(944)**	(944)
Accumulated accretion expense	**631**	373
	$ **11,957**	$ 11,384
Current	**-**	-
Non-current	**11,957**	11,384
	$ **11,957**	$ 11,384
Equity component		
Amount allocated to equity	$ **944**	$ 944
Less:		
Allocated deferred financing fees and deferred taxes	**(106)**	(128)
	$ **838**	$ 816

20. COMMON SHARE PURCHASE WARRANTS

On January 26, 2017, Mosaic issued common share purchase warrants (the "**Warrants**") entitling the holder to acquire up to 17,026,106 common shares of Mosaic at a price of $8.81 (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 December 31, 2018, 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 5.0 years. The liquidity discount involves significant management judgment and is an unobservable input which is categorized within Level 3 of the fair value hierarchy.

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

As at December 31,	2018	2017
Principal amount	$ **20,555**	$ 20,555
Unamortized discount	**(19,638)**	(4,763)
	$ **917**	$ 15,792

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

21. REDEEMABLE NON-CONTROLLING INTEREST

On October 17, 2017, a limited partnership controlled by Mosaic issued $20,000 of subordinated partnership units. The redeemable non-controlling interest bears interest at 7.0% per annum and matures on January 1, 2021. Mosaic incurred $600 in transaction costs.

As at December 31,		2018		2017
Principal amount	$	**20,000**	$	20,000
Unamortized transaction costs		**(385)**		(570)
	$	**19,615**	$	19,430

22. NON-CONTROLLING INTERESTS PUT OPTIONS

The Company has entered into agreements with certain of its non-controlling interests whereby the agreements contain a put option, which provides the holder with the right to require the Company to purchase their retained interest for deemed fair market value at the time the put is exercised. The Company also negotiated reciprocal call options, which would require the same non-controlling interests to sell their retained interest to Mosaic for deemed fair market value at the time the call is exercised. The put and call options are exercisable between now and December 31, 2023.

The liability recognized in connection with the put options has been estimated using the guidance as defined in the agreements. The estimated future payment obligation is then discounted to its present value at each statement of financial position date. The significant unobservable inputs include the puts being exercised between now and five years at a notional aggregate fair value of $14,363 using a discount rate of 10.0%. An increase in the deemed fair market value or a reduction in the discount rate would increase the put liability.

As at December 31,		2018		2017
Principal amount	$	**14,363**	$	24,124
Unamortized discount		**(3,039)**		(5,480)
	$	**11,324**	$	18,644

23. INCOME TAXES

The income tax provision differs from the amount that would be computed by applying statutory income rates of 27.0% (2017 – 27.0%). The reconciliation of the differences is as follows:

For the year ending December 31,		2018		2017
Income before income tax	$	**14,002**	$	5,175
Statutory income tax rate		**27.0%**		27.0%
Expected income tax expense	$	**3,781**	$	1,397
Securities based compensation		**105**		105
Distributions on preferred securities		**(1,620)**		(1,892)
Permanent differences		**1,049**		-
Fair value adjustments		**(5,147)**		(1,741)
Non-deductible items		**150**		857
Non-controlling interests		**(1,253)**		(1,429)
Change in unrecognized deferred tax asset		**176**		-
Change in valuation allowance		**-**		270
Other		**272**		213
Income tax reduction	$	**(2,487)**	$	(2,220)

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

23. INCOME TAXES *(continued)*

The deferred tax assets and liabilities are attributable to the following:

As at December 31,		2018		2017
Deferred tax assets				
Financing costs	$	33	$	-
Capital losses		343		167
Non-capital tax losses		12,607		10,251
Convertible debentures – liability portion		260		106
Contingent liability		-		457
Capital lease obligation		929		313
Unrecognized deferred tax asset		(343)		(168)
	$	13,829	$	11,126
Deferred tax liabilities				
Property, plant and equipment	$	3,245	$	2,112
Holdback adjustment		886		484
Contingent liability		8		-
Share issuance costs		49		214
Unrealized foreign exchange		326		-
Intangible assets		7,295		9,624
	$	11,809	$	12,434
Net deferred tax asset (liability)	$	2,020	$	(1,308)

For the purposes of the preceding table, deferred income tax liabilities are shown net of offsetting deferred income tax assets where these occur in the same entity and jurisdiction.

As at December 31, 2018, Mosaic has $46,907 (2017 - $38,512) in non-capital loss carry forwards available to reduce future years' taxable income which expire between 2031 and 2038 and $1,270 (2017 - $765) of net capital loss carryforwards available to reduce futures years' capital gains. The deferred tax asset associated with the non-capital losses has been recorded in these financial statements.

Continuity of the deferred tax asset (liability) is as follows:

As at December 31,		2018		2017
Balance, beginning of period	$	(1,308)	$	(3,902)
Deferred tax on acquisition		-		(1,269)
Deferred tax booked to equity		-		(195)
Deferred income tax reduction		3,328		4,058
	$	2,020	$	(1,308)

24. EQUITY

(a) Common Shares

The holders of common shares are entitled to one vote per share at all meetings of shareholders except separate meetings of holders of another class or series of shares. The common shares carry an entitlement to dividends, if and when declared by the Board of Directors and to the distribution of the residual assets of Mosaic in the event of its liquidation, dissolution or winding-up.

(b) Preferred Securities

Mosaic is authorized to issue an unlimited number of senior preferred securities. On January 26, 2017, Mosaic issued $100,000 of 6.0% senior preferred securities (the "**Preferred Securities**"). The Preferred Securities accumulate distributions at a rate of 6.0% per annum and are unsecured obligations of Mosaic subordinate to all liabilities of Mosaic, excluding obligations specifically subordinated to the Preferred Securities. The Preferred Securities rank senior to Mosaic's existing Convertible Debentures. Mosaic incurred $277 in transaction costs.

The Preferred Securities are not redeemable by Mosaic before January 26, 2022 (the "**Call Date**"). After the Call Date, the Preferred Securities may be redeemed at the option of Mosaic at a price per Preferred Security equal to the greater of: (i) $10.00 (ten); and (ii) the ten-day volume weighted average trading price of the Preferred Securities.

The Preferred Securities were recorded at fair value upon issue. Mosaic used a discount rate of 7.3% in arriving at the fair value of $82,395, net of transaction costs.

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

24. EQUITY *(continued)*

(b) Preferred Securities *(continued)*

On February 10, 2017, Mosaic redeemed all outstanding 10.0% preferred securities for a cash payment of $10.1096 (ten point one zero nine six) per each 10.0% preferred security for an aggregate redemption cost of approximately $105,900.

(c) Other Securities

i. Private Yield Securities and Warrants

On February 10, 2017, Mosaic retracted all outstanding private yield securities for a cash payment of $1 (one) per each private yield security for an aggregate retraction cost of approximately $26,800. All outstanding warrants to purchase private yield securities expired in accordance with their terms.

ii. Series "A" Shares

On February 10, 2017, Mosaic retracted all outstanding Series "A" Shares for a cash payment of $10.1096 (ten point one zero nine six) per each Series "A" Share for an aggregate redemption costs of approximately $900.

iii. Subscription Privileges

On March 3, 2017, Mosaic issued 2,551,020 subscription privileges, which the subscription privileges entitled the holders to subscribe for up to 2,551,020 common shares of Mosaic at a subscription price of $9.80 (nine point eight) per share. Mosaic issued a total of 1,550,302 common shares for gross proceeds of $15,193.

A summary of all activity is as follows:

Number of:	Common Shares	Preferred Securities	Series "A" Shares	Private Yield Securities	Warrants – Private Yield Securities
Balance at January 1, 2017	8,603,850	10,477,447	87,780	26,520	26,520
Redemptions and retractions	-	(10,477,447)	(87,780)	(26,520)	(26,520)
Issuances	1,550,302	10,000,000	-	-	-
Convertible debenture conversions	277,988	-	-	-	-
Exercise of stock options	141,527	-	-	-	-
Balance, December 31, 2017	10,573,667	10,000,000	-	-	-
Balance at January 1, 2018	10,573,667	10,000,000	-	-	-
Exercise of stock options	34,391	-	-	-	-
Balance, December 31, 2018	**10,608,058**	**10,000,000**	**-**	**-**	**-**

As at December 31, 2018, 300,913 (2017 – 253,589) common shares had been purchased and were being held by the trustee under Mosaic equity-based compensations plans for the benefit of plan participants.

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

25. EQUITY-BASED COMPENSATION

(a) Share options

The Company has adopted an incentive 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 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, 2017	407,928	$ 4.39
Granted	231,592	8.74
Exercised	(134,164)	4.00
Forfeited	(111,763)	6.30
Balance, December 31, 2017	393,593	6.54
Granted	371,797	5.79
Exercised	(17,739)	4.23
Forfeited	(23,189)	6.50
Balance, December 31, 2018	**724,462**	**$ 6.21**

	Share options outstanding December 31, 2018			**Share options exercisable December 31, 2018**	
Exercise price	**Number of share options**	**Remaining contractual life**	**Weighted average exercise price**	**Number of share options**	**Weighted average exercise price**
$ 4.23	**145,456**	**2.42 years**	**$ 4.23**	**87,649**	**$ 4.23**
$ 6.07	**42,683**	**2.59 years**	**6.07**	**28,456**	**6.07**
$ 8.74	**176,368**	**3.28 years**	**8.74**	**58,794**	**8.74**
$ 5.78	**350,562**	**4.29 years**	**5.78**	**-**	**-**
$ 6.00	**9,393**	**4.41 years**	**6.00**	**-**	**-**
Total	**724,462**	**3.57 years**	**$ 6.21**	**174,899**	**$ 6.05**

	Share options outstanding December 31, 2017			Share options exercisable December 31, 2017	
Exercise price	Number of share options	Remaining contractual life	Weighted average exercise price	Number of share options	Weighted average exercise price
$ 4.23	166,948	3.42 years	$ 4.23	43,825	$ 4.23
$ 6.07	42,683	3.59 years	6.07	14,228	6.07
$ 8.74	183,962	4.28 years	8.74	-	-
Total	393,593	3.84 years	$ 6.54	58,053	$ 4.68

The following assumptions were used to calculate the estimated fair value of share options issued:

	May 29, 2018	Apr 16, 2018	Apr 12, 2017
Exercise price	$ 6.00	$ 5.78	$ 8.74
Risk-free rate	2.02%	2.02%	0.73%
Expected life	5 years	5 years	5 years
Volatility	48.9%	48.9%	58.7%
Forfeiture rate	20.0%	20.0%	20.0%
Dividend yield	7.6%	7.6%	5.0%
Weighted average fair value per share option	$ 1.33	$ 1.33	$ 2.45

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

25. EQUITY BASED COMPENSATION *(continued)*

(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, 2017	300,559
Granted	56,176
Vested and released	(41,779)
Forfeited	(32,867)
Balance, December 31, 2017	282,089
Granted	90,144
Vested and released	(54,994)
Forfeited	(6,778)
Balance, December 31, 2018	**310,461**

26. REVENUE

For the year ended December 31, 2018	Infra-structure	Diversified	Energy	Real Estate	Total
Type of revenue					
Product sales	$ 20,137	$ 43,799	$ 3,380	$ -	$ 67,316
Services (including equipment rental)	42,905	40,146	11,475	-	94,526
Construction services	213,878	21,002	-	-	234,880
Real estate rentals	-	-	-	397	397
	$ 276,920	**$ 104,947**	**$ 14,855**	**$ 397**	**$ 397,119**
Timing of revenue recognition					
At a point in time	$ 20,137	$ 64,801	$ 14,855	$ 397	$ 100,190
Over a period of time	256,783	40,146	-	-	296,929
	$ 276,920	**$ 104,947**	**$ 14,855**	**$ 397**	**$ 397,119**

For the year ended December 31, 2017	Infra-structure	Diversified	Energy	Real Estate	Total
Type of revenue					
Product sales	$ 17,338	$ 40,260	$ 3,896	$ -	$ 61,494
Services (including equipment rental)	10,012	48,074	10,083	-	68,169
Construction services	177,905	4,100	-	-	182,005
Real estate rentals	-	-	-	473	473
	$ 205,255	$ 92,434	$ 13,979	$ 473	$ 312,141
Timing of revenue recognition					
At a point in time	$ 17,338	$ 44,360	$ 13,979	$ 473	$ 76,150
Over a period of time	187,917	48,074	-	-	235,991
	$ 205,255	$ 92,434	$ 13,979	$ 473	$ 312,141

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

27. OPERATING EXPENSES

For the year ended December 31,		2018		2017
Personnel and personnel related expenses	**$**	**124,611**	$	112,331
Subcontractors		**120,215**		68,761
Equipment and operating maintenance costs		**14,370**		8,119
Materials and related costs		**80,645**		71,156
Occupancy and related costs		**6,261**		4,059
Professional and related costs		**2,174**		2,211
Other expenses		**18,603**		18,260
	$	**366,879**	$	284,897

28. COMPENSATION

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

For the year ended December 31,		2018		2017
Personnel and personnel related expenses	**$**	**124,611**	$	112,331
Equity-based compensation		**767**		391
	$	**125,378**	$	112,722

29. NET FINANCE COSTS

For the year ended December 31,		2018		2017
Interest:				
Expense	**$**	**7,597**	$	5,073
Income on cash and cash equivalents		**(192)**		(178)
Accretion expense		**2,665**		2,902
Amortization of borrowing costs		**584**		306
	$	**10,654**	$	8,103

30. CHANGE IN FAIR VALUE

For the year ended December 31,		2018		2017
Common share purchase warrants	**$**	**14,875**	$	4,763
Non-controlling interest put option redemption		**1,242**		-
Revaluation of non-controlling interest put option		**2,945**		-
Risk management liability		**(754)**		-
	$	**18,308**	$	4,763

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

31. EARNINGS (LOSS) PER SHARE

Earnings (loss) per share is calculated as follows:

For the year ended December 31,		2018		2017
Net income (loss) for common shareholders – Basic	$	6,316	$	(5,208)
Effect of dilutive securities		697		-
Net income (loss) for common shareholders – Diluted	$	7,013	$	(5,208)
Weighted average number of common shares – Basic		10,599,111		10,224,621
Weighted average number of common shares – Diluted		12,209,713		10,224,621
Basic EPS	$	0.60	$	(0.51)
Diluted EPS	$	0.57	$	(0.51)

For the year ended December 31, 2018, the Company excluded 579,006 stock options, 310,461 RSUs and 17,026,106 warrants, as their inclusion would be anti-dilutive (2017 – 151,830 stock options, 282,089 RSUs, 13,124 convertible debentures and 17,026,106 warrants).

32. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash operating working capital:

For the year ended December 31,		2018		2017
Trade, accrued and other receivables	$	(18,003)	$	(8,308)
Accrued contract revenue		(7,438)		(9,744)
Inventories		(3,357)		1,891
Deposits and prepaid expenses		66		497
Trade, accrued and other payables		21,161		2,148
Income taxes payable		(811)		1,855
Deferred contract revenue		2,586		(854)
	$	(5,796)	$	(12,515)

33. RELATED PARTY TRANSACTIONS

Related party transactions are in the normal course of operations and are recorded on an arms length basis.

a) Key management compensation

The Company has defined key management personnel as senior executive officers and all member of the board of directors, as they have the collective authority and responsibility for planning, directing and controlling the activities of the Company. Key management personnel compensation is comprised of the following:

For the year ended December 31,		2018		2017
Salary and other benefits	$	1,735	$	2,389
Equity-based compensation		631		484
	$	2,366	$	2,873

b) Rent of $1,654 for the year ended December 31, 2018 (2017 - $1,243) for space occupied by certain of Mosaic's subsidiaries was paid to entities controlled by NCIs within Mosaic's subsidiaries. These leasing arrangements were made at normal commercial terms.

As at December 31, 2018 no amounts were owed to or due from related parties (December 31, 2017 - $nil).

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

34. COMMITMENTS AND CONTINGENT LIABILITIES

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

Year	Amount
2019	$ 3,426
2020	2,795
2021	2,377
2022	1,636
2023	668
Thereafter	1,890
	$ 12,792

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 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.

35. 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; 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 credit facility; 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 tables below summarize the future undiscounted contractual cash flow requirements for the Company's financial liabilities:

December 31, 2018	**Carrying amount**	Contractual cash flow	Less than 12 months	1 – 2 years	2 -3 years	Thereafter
Operating loans	**$ 798**	$ 838	$ 838	$ -	$ -	$ -
Trade, accrued, and other payables	**62,811**	62,811	62,811	-	-	-
Distributions payable	**1,512**	1,512	1,512	-	-	-
Risk management contracts	**754**	16,335	16,335	-	-	-
Credit facility	**27,402**	30,905	1,104	1,104	28,697	-
Liabilities associated with assets held for sale	**2,392**	2,625	2,625	-	-	-
Contingent consideration	**177**	207	207	-	-	-
Notes payable	**23,440**	24,624	10,065	9,216	3,754	1,589
Debentures	**47,424**	62,687	2,500	2,500	2,500	55,187
Convertible debentures	**11,957**	2,527	919	921	687	-
Common share purchase warrants	**917**	-	-	-	-	-
Redeemable non-controlling interest	**19,615**	23,150	1,400	1,400	20,350	-
Non-controlling interests put options	**11,324**	14,363	2,030	4,583	4,583	3,167
	$ 210,523	$ 242,584	$ 102,346	$ 19,724	$ 60,571	$ 59,943

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

35. FINANCIAL INSTRUMENTS *(continued)*

(b) Liquidity risk *(continued)*

December 31, 2017	Carrying amount	Contractual cash flow	Less than 12 months	1 – 2 years	2 -3 years	Thereafter
Trade, accrued, and other payables	**$ 41,755**	$ 41,755	$ 41,755	$ -	$ -	$ -
Distributions payable	**1,512**	1,512	1,512	-	-	-
Credit facility	**19,357**	21,924	783	783	20,358	-
Liabilities associated with assets held for sale	**2,521**	2,521	2,521	-	-	-
Contingent consideration	**1,710**	2,089	659	1,430	-	-
Notes payable	**19,792**	28,241	5,336	16,073	3,525	3,307
Debentures	**47,001**	65,187	2,500	2,500	2,500	57,687
Convertible debentures	**11,384**	3,215	919	919	921	456
Common share purchase warrants	**15,792**	-	-	-	-	-
Redeemable non-controlling interest	**19,430**	24,832	1,682	1,400	1,400	20,350
Non-controlling interests put options	**18,644**	25,201	-	2,881	3,018	19,302
	$ 198,898	$ 216,477	$ 57,667	$ 25,986	$ 31,722	$ 101,102

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

(c) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk can be heightened from exposure to a single customer or to several customers that have similar qualities and characteristics. The Company's exposure to credit risk is primarily related to cash and cash equivalents held with financial institutions and the carrying value of its trade, accrued and other receivables. The Company is subject to a concentration of credit risk as 21.0% (2017 – 8.0%) of trade receivables 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 commodity price risk or other price risk. The Company manages currency risk by using foreign exchange forward contracts to manage the exposure of future denominated receipts and expenses using foreign exchange forward contracts and cross-currency swaps. Management believes the risk faced by the Company with regard to market risk is an acceptable risk faced in the ordinary course of business. General economic conditions globally, including relative strength of the Canadian dollar may adversely affect the value of the Company's business and the value of its financial instruments.

(e) Interest rate risk

The Company is exposed to interest rate risk to the extent that the Credit facility bears interest based on prime rates. Based on outstanding amounts under the Credit facilities as at December 31, 2018, a 1.0% movement in the prime rate would change the interest expense by approximately $828 (2017 - $587).

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

36. SEGMENTED INFORMATION

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

Mosaic has four reportable business segments:

- Infrastructure - consists of the business operations comprised of Ambassador, Bassi, Cedar, Place-Crete and SECON.
- Diversified - consists of the business operations comprised of through Circle 5, Industrial Scaffold, Kendall's Supply, Mackow and Printing Unlimited.
- Energy - consists of the business operations comprised of Allied Cathodic and Remote Waste.
- Real Estate - consists of a portfolio of income-producing commercial and industrial real estate assets in Regina, Estevan and Saskatoon, Saskatchewan conducted through FWPLP and its 50% interest in FWDLP.

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

For the year ended December 31, 2018	Infra-structure	Diversified	Energy	Real Estate	Corporate	Total
Revenue	$ 276,920	$ 104,947	$ 14,855	$ 397	$ -	$ 397,119
Operating expenses	257,676	90,127	12,971	569	5,536	366,879
	19,244	14,820	1,884	(172)	(5,536)	30,240
Amortization:						
Income-producing properties	-	-	-	-	-	-
Property, plant and equipment	2,536	4,025	1,425	-	24	8,010
Intangible assets	6,404	7,065	811	-	4	14,284
Loss (gain) on disposal of property and equipment	74	(69)	1,667		32	1,704
Equity-based compensation	-	-	-	-	767	767
Operating income (loss)	10,230	3,799	(2,019)	(172)	(6,363)	5,475
Impairment loss	-	-	-	828	-	828
Net finance costs	2,036	727	196	116	7,579	10,654
Foreign exchange gain	(6)	(250)	(72)	-	-	(328)
Share of joint venture income	-	-	-	(227)	-	(227)
Other income	(1,146)	-	-	-	-	(1,146)
Income (loss) before change in fair value and income taxes	9,346	3,322	(2,143)	(889)	(13,942)	(4,306)
Change in fair value	(2,945)	(488)	-	-	(14,875)	(18,308)
Income (loss) before taxes	12,291	3,810	(2,143)	(889)	933	14,002
Provision for income tax:						
Current	63	433	12	-	333	841
Deferred (reduction)	(281)	(1,112)	(644)	134	(1,425)	(3,328)
	(218)	(679)	(632)	134	(1,092)	(2,487)
Net income (loss)	**$ 12,509**	**$ 4,489**	**$ (1,511)**	**$ (1,023)**	**$ 2,025**	**$ 16,489**
Purchase of property, plant and equipment	$ 2 ,785	$ 2,664	$ 918	$ -	$ -	$ 6,367

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

36. SEGMENTED INFORMATION *(continued)*

For the year ended December 31, 2017	Infra-structure	Diversified	Energy	Real Estate	Corporate	Total
Revenue	$ 205,255	$ 92,434	$ 13,979	$ 473	$ -	$ 312,141
Operating expenses	186,959	78,205	11,815	772	7,146	284,897
	18,296	14,229	2,164	(299)	(7,146)	27,244
Amortization:						
Income-producing properties	-	-	-	195	-	195
Property, plant and equipment	2,751	2,542	1,682	-	27	7,002
Intangible assets	5,999	3,043	369	-	17	9,428
(Gain) loss on disposal of property and equipment	(11)	143	(14)	(24)	-	94
Equity-based compensation	-	-	-	-	391	391
Operating income (loss)	9,557	8,501	127	(470)	(7,581)	10,134
Impairment loss	-	-	-	3,798	-	3,798
Net finance costs	1,600	1,051	135	106	5,211	8,103
Foreign exchange loss	6	124	-	-	1	131
Share of joint venture income	-	-	-	(717)	-	(717)
Other (income) loss	(418)	(1,266)	-	-	91	(1,593)
Income (loss) before change in fair value and income taxes	8,369	8,592	(8)	(3,657)	(12,884)	412
Change in fair value	-	-	-	-	(4,763)	(4,763)
Income (loss) before taxes	8,369	8,592	(8)	(3,657)	(8,121)	5,175
Provision for income tax:						
Current	400	555	-	-	883	1,838
Deferred (reduction)	(1,536)	(1,420)	192	(733)	(561)	(4,058)
	(1,136)	(865)	192	(733)	322	(2,220)
Net income (loss)	**$ 9,505**	**$ 9,457**	**$ (200)**	**$ (2,924)**	**$ (8,443)**	**$ 7,395**
Purchase of property, plant and equipment	$ 2 ,616	$ 8,354	$ 1,747	$ -	$ 43	$ 12,760

As at December 31, 2018	**Infra-structure**	**Diversified**	**Energy**	**Real Estate**	**Corporate**	**Total**
Total assets	**$ 186,949**	**$ 124,911**	**$ 12,329**	**$ 6,152**	**$ 13,213**	**$ 343,554**
Total liabilities	**$ 76,941**	**$ 21,032**	**$ 2,926**	**$ 2,417**	**$ 113,944**	**$ 217,260**

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

37. SUBSEQUENT EVENT

Subsequent to December 31, 2018, Mosaic sold one of the properties classified as held for sale. The property had a carrying value of $2,702 and Mosaic realized net proceeds of $2,675. A portion of the net proceeds was used to retire $1,960 of liabilities associated with assets held for sale.