MOSAIC CAPITAL CORPORATION

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

"Growth through sustainable cash flow"

NOTICE OF NO AUDITORS' REVIEW OF INTERIM FINANCIAL STATEMENTS

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

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Mosaic Capital Corporation

Condensed Interim Consolidated Statements of Financial Position

(Unaudited) (in thousands of Canadian dollars)

As at	June 30, 2020	December 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	$ 34,443	$ 18,980
Trade, accrued and other receivables	65,900	81,532
Accrued contract revenue *(note 5)*	13,987	17,208
Inventories	10,013	10,481
Deposits, prepaid expenses and other	2,452	2,096
Assets held for sale *(note 6(a))*	504	-
	127,299	130,297
Non-current assets:		
Investment in joint venture	2,142	2,203
Contingent accounts receivable *(note 6(b))*	1,372	1,645
Property, plant and equipment *(note 7)*	22,341	25,902
Leased assets *(note 8)*	16,971	19,982
Intangible assets *(note 9)*	39,095	46,803
Goodwill *(note 10)*	47,780	71,417
Deferred income tax asset	11,839	7,094
TOTAL ASSETS	$ 268,839	$ 305,343
LIABILITIES AND EQUITY		
Liabilities		
Current liabilities:		
Operating loans *(note 12(b))*	$ 1,250	$ 1,507
Trade, accrued and other payables	42,920	52,632
Distributions payable	1,496	1,512
Deferred contract revenue *(note 5)*	1,815	4,471
Current portion of notes payable *(note 13)*	4,343	8,096
Current portion of lease obligations *(note 14)*	4,925	5,752
Redeemable non-controlling interest	19,892	-
Non-controlling interest put options	7,212	-
Liabilities associated with assets held for sale *(note 6(a))*	310	-
	84,163	73,970
Non-current liabilities:		
Credit facility *(note 12(a))*	22,965	11,512
Notes payable *(note 13)*	3,812	5,198
Lease obligations *(note 14)*	13,534	15,267
Debentures	48,103	47,873
Convertible debentures	12,477	12,261
Common share purchase warrants *(note 15)*	99	3,180
Redeemable non-controlling interest	-	19,800
Non-controlling interest put options	3,509	10,223
Total liabilities	188,662	199,284
Equity		
Common shares	35,321	35,142
Preferred securities	82,395	82,395
Contributed surplus	2,728	2,562
Convertible debentures	869	859
Retained earnings:		
Cumulative earnings	40,226	57,894
Cumulative translation adjustment	215	157
Cumulative dividends/distributions	(118,798)	(114,680)
Total shareholders' equity	42,956	64,329
Non-controlling interests	37,221	41,730
TOTAL LIABILITIES AND EQUITY	$ 268,839	$ 305,343

Contingent liabilities *(note 24)*
Subsequent event *(note 27)*
See accompanying notes to the condensed interim consolidated financial statements.

Mosaic Capital Corporation

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

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

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	**2020**	2019
REVENUE *(note 17)*	**$ 69,702**	$ 103,086	**$ 145,738**	$ 184,378
OPERATING EXPENSES	**57,355**	94,662	**127,956**	170,147
OPERATING INCOME BEFORE OTHER EXPENSES	**12,347**	8,424	**17,782**	14,231
EXPENSES				
Amortization of property, plant and equipment *(note 7)*	**1,210**	1,240	**2,403**	2,443
Amortization of leased assets *(note 8)*	**1,399**	1,156	**2,759**	2,357
Amortization of intangible assets *(note 9)*	**1,910**	3,064	**3,821**	6,118
Loss on disposal of equipment	**213**	47	**230**	61
(Gain) loss on early termination of lease obligations	**19**	(10)	**18**	(38)
Equity-based compensation	**230**	139	**427**	359
	4,981	5,636	**9,658**	11,300
Operating income	**7,366**	2,788	**8,124**	2,931
Impairment loss *(note 11)*	**27,523**	-	**27,523**	-
Net finance costs *(note 18)*	**1,912**	2,496	**3,952**	4,812
Foreign exchange loss (gain)	**739**	249	**(645)**	534
Share of joint venture loss (income)	**15**	19	**(43)**	37
Fair value adjustment *(note 19)*	**(80)**	319	**(2,722)**	2,539
Loss from continuing operations before income taxes	**(22,743)**	(295)	**(19,941)**	(4,991)
Provision for income taxes:				
Current	**313**	55	**377**	138
Deferred (reduction)	**(3,957)**	401	**(5,034)**	(643)
	(3,644)	456	**(4,657)**	(505)
NET LOSS FROM CONTINUING OPERATIONS	**(19,099)**	(751)	**(15,284)**	(4,486)
Other comprehensive loss (income):				
Items that may be subsequently reclassified:				
Exchange differences on translating foreign operations	**221**	31	**58**	95
NET LOSS AND COMPREHENSIVE LOSS FROM CONTINUING OPERATIONS	**(19,320)**	(782)	**(15,342)**	(4,581)
(Loss) earnings from discontinued operations *(note 6 (a) and (b))*	**(4,230)**	519	**(4,558)**	1,226
NET LOSS AND COMPREHENSIVE LOSS	**$ (23,550)**	$ (263)	**$ (19,900)**	$ (3,355)
Net income (loss) and comprehensive income (loss) attributable to:				
Common equity holders from continuing operations	**(17,840)**	(3,121)	**(16,263)**	(8,598)
Common equity holders from discontinued operations	**(4,020)**	310	**(4,339)**	896
Preferred distributions from continuing operations	**1,496**	1,496	**2,992**	2,975
Non-controlling interests from continuing operations	**(2,976)**	845	**(2,071)**	1,043
Non-controlling interests from discontinued operations	**(210)**	207	**(219)**	329
	$ (23,550)	$ (263)	**$ (19,900)**	$ (3,355)
Earnings (loss) per common share *(note 20)*:				
Basic from continuing operations	**$ (1.67)**	$ (0.30)	**$ (1.53)**	$ (0.81)
Basic from discontinued operations	**(0.38)**	0.04	**(0.41)**	0.09
Basic	**$ (2.05)**	$ (0.26)	**$ (1.94)**	$ (0.72)
Diluted from continuing operations	**$ (1.67)**	$ (0.30)	**$ (1.53)**	$ (0.81)
Diluted from discontinued operations	**(0.38)**	0.04	**(0.41)**	0.09
Diluted	**$ (2.05)**	$ (0.26)	**$ (1.94)**	$ (0.72)

See accompanying notes to the condensed interim consolidated financial statements.

Mosaic Capital Corporation

Condensed Interim Consolidated Statements of Changes in Equity

(Unaudited) (in thousands of Canadian dollars)

	Common shares	Preferred securities	Contributed surplus	Convertible debentures	Cumulative earnings	Cumulative translation adjustment	Cumulative Dividends / Distributions	Total shareholders' equity	Non-controlling interest	Total Equity
Balance, January 1, 2019	**$ 34,955**	**$ 82,395**	**$ 2,205**	**$ 838**	**$ 57,407**	**$ 239**	**$ (104,184)**	**$ 73,855**	**$ 51,580**	**$ 125,435**
Distributions declared on preferred shares	-	-	-	-	-	-	(2,975)	(2,975)	-	(2,975)
Dividends declared on common shares	-	-	-	-	-	-	(2,242)	(2,242)	-	(2,242)
Distributions to non-controlling interests	-	-	-	-	-	-	-	-	(3,773)	(3,773)
Equity-based compensation *(note 16)*	-	-	359	-	-	-	-	359	-	359
Amortization of issue costs	-	-	-	10	-	-	-	10	-	10
Exercise of stock options *(note 16)*	48	-	(65)	-	-	-	-	(17)	-	(17)
Settlement of restricted share units *(note 16)*	139	-	(330)	-	-	-	-	(191)	-	(191)
Contribution from NCI	-	-	-	-	-	-	-	-	1,047	1,047
Net (loss) income and comprehensive (loss) income	-	-	-	-	(4,822)	95	-	(4,727)	1,372	(3,355)
Balance, June 30, 2019	**$ 35,142**	**$ 82,395**	**$ 2,169**	**$ 848**	**$ 52,585**	**$ 334**	**$ (109,401)**	**$ 64,072**	**$ 50,226**	**$ 114,298**
Balance, January 1, 2020	**$ 35,142**	**$ 82,395**	**$ 2,562**	**$ 859**	**$ 57,894**	**$ 157**	**$ (114,680)**	**$ 64,329**	**$ 41,730**	**$ 106,059**
Distributions declared on preferred shares	-	-	-	-	-	-	(2,992)	(2,992)	-	(2,992)
Dividends declared on common shares	-	-	-	-	-	-	(1,126)	(1,126)	-	(1,126)
Distributions to non-controlling interests	-	-	-	-	-	-	-	-	(2,439)	(2,439)
Equity-based compensation	-	-	427	-	-	-	-	427	-	427
Amortization of issue costs	-	-	-	10	-	-	-	10	-	10
Settlement of restricted share units *(note 16)*	179	-	(261)	-	-	-	-	(82)	-	(82)
Contribution from NCI	-	-	-	-	-	-	-	-	220	220
Net (loss) income and comprehensive (loss) income	-	-	-	-	(17,668)	58	-	(17,610)	(2,290)	(19,900)
Balance, June 30, 2020	**$ 35,321**	**$ 82,395**	**$ 2,728**	**$ 869**	**$ 40,226**	**$ 215**	**$ (118,798)**	**$ 42,956**	**$ 37,221**	**$ 80,177**

See accompanying notes to the condensed interim consolidated financial statements.

Mosaic Capital Corporation

Condensed Interim Consolidated Statements of Cash Flows

(Unaudited) (in thousands of Canadian dollars)

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	**2020**	2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss from continuing operations	**$ (19,099)**	$ (751)	**$ (15,284)**	$ (4,486)
Adjustments for:				
Amortization of property, plant and equipment *(note 7)*	**1,210**	1,240	**2,403**	2,443
Amortization of leased assets (note 8)	**1,399**	1,156	**2,759**	2,357
Amortization of intangible assets *(note 9)*	**1,910**	3,064	**3,821**	6,118
Loss on sale of equipment	**213**	47	**230**	61
Loss (gain) on early termination of lease obligations	**19**	(10)	**18**	(38)
Equity-based compensation	**230**	139	**427**	359
Impairment loss *(note 11)*	**27,523**	-	**27,523**	-
Accretion expense *(note 18)*	**189**	302	**415**	601
Amortization of borrowing costs *(note 18)*	**122**	144	**246**	288
Foreign exchange loss (gain)	**739**	249	**(645)**	534
Share of joint venture loss (income)	**15**	19	**(43)**	37
Fair value adjustment *(note 19)*	**(80)**	319	**(2,722)**	2,539
Deferred income tax (reduction)	**(3,957)**	401	**(5,034)**	(643)
Cash provided before non-cash working capital	**10,433**	6,319	**14,114**	10,170
Net change in non-cash working capital *(note 21)*	**(1,221)**	(2,210)	**3,928**	994
Cash provided by continuing operations	**9,212**	4,109	**18,042**	11,164
Cash provided by discontinued operations	**452**	156	**616**	834
Net cash provided by operating activities	**9,664**	4,265	**18,658**	11,998
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment *(note 7)*	**(964)**	(1,589)	**(2,062)**	(2,118)
Proceeds on disposal of property, plant and equipment	**63**	81	**165**	135
Proceeds on disposal of assets held for sale	**-**	118	**-**	810
Distributions received from joint venture	**-**	-	**105**	-
Cash used in continuing operations	**(901)**	(1,390)	**(1,792)**	(1,173)
Cash provided by discontinued operations	**-**	34	**375**	101
Net cash used in investing activities	**(901)**	(1,356)	**(1,417)**	(1,072)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net (repayment) proceeds from operating loans *(note12(b))*	**(603)**	1,711	**(257)**	2,192
Proceeds from credit facility *(note 12(a))*	**9,533**	1,422	**25,847**	5,822
Repayment of credit facility *(note 12(a))*	**(11,329)**	(2,875)	**(14,419)**	(5,475)
Proceeds from notes payable *(note 13)*	**1,294**	1,091	**2,163**	1,261
Repayment of notes payable *(note 13)*	**(561)**	(905)	**(7,387)**	(3,845)
Payment of lease obligations *(note 14)*	**(1,053)**	(1,370)	**(2,381)**	(2,768)
Exercise of stock options *(note 16)*	**-**	(16)	**-**	(16)
Settlement of restricted share options *(note 16)*	**(82)**	(193)	**(82)**	(193)
Dividends paid to common shareholders	**-**	(1,127)	**(1,126)**	(2,242)
Distributions paid to preferred security holders	**(1,496)**	(1,479)	**(3,008)**	(2,991)
Distributions paid to non-controlling interests	**(187)**	(1,721)	**(1,072)**	(3,486)
Contribution from non-controlling interests	**220**	-	**220**	-
Cash used in continuing operations	**(4,264)**	(5,462)	**(1,502)**	(11,741)
Cash used in discontinued operations	**(110)**	(362)	**(331)**	(509)
Net cash used in financing activities	**(4,374)**	(5,824)	**(1,833)**	(12,250)
Net change in cash and cash equivalents	**4,389**	(2,915)	**15,408**	(1,324)
Cash and cash equivalents, beginning of period	**30,104**	16,325	**18,980**	14,766
Effect of translation on foreign cash	**(50)**	(28)	**55**	(60)
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ 34,443**	$ 13,382	**$ 34,443**	$ 13,382
Supplementary cash flow information				
Interest received	**$ 28**	$ 56	**$ 96**	$ 97
Interest paid	**$ 1,862**	$ 2,140	**$ 3,048**	$ 3,687
Income taxes paid	**$ 132**	$ 77	**$ 151**	$ 558

See accompanying notes to the condensed interim consolidated financial statements.

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

1. REPORTING ENTITY

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

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

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

2. BASIS OF PREPARATION

(a) Statement of compliance

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

The condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company (the "**Board**") on August 5, 2020.

(b) Basis of consolidation

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

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

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

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

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

2. BASIS OF PREPARATION *(continued)*

(c) Basis of measurement and impact of Pandemic

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

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

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

The Company has a history of generating positive operating cash flow, maintaining adequate working capital and available debt facilities to support liquidity requirements. As at June 30, 2020, the Company had cash of $34,443 on hand, $43,136 in positive working capital, $27,035 available on its revolving credit facility (the "**Credit Facility**") and approximately $18,000 available on its subsidiary-level operating credit facilities. In April 2020, the Company suspended its monthly dividend (fiscal 2019 dividends paid were $4,495) to preserve cash on hand. Loans and borrowings were $122,539, of which $30,410 is due within 12 months.

As at June 30, 2020, the Company is in compliance with financial covenants contained within all of its loans and borrowings. On August 5, 2020 the Company revised terms with its lender so that it has the necessary flexibility to operate through these uncertainties, see Note 27 – Subsequent Event.

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

(d) Functional and presentation currency

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

(e) Use of estimates and judgments

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

4. DETERMINATION OF FAIR VALUES

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

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

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

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

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

The fair value of trade, accrued and other receivables and accrued contract revenue is estimated as the present value of future cash flows, discounted at the market rate of interest 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) Share-based compensation transactions

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

(d) Contingent accounts receivable and consideration

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

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

4. DETERMINATION OF FAIR VALUES *(continued)*

(e) Other non-derivative financial liabilities

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

			Fair value		
As at June 30, 2020		**Face value**	**Level 1**	**Level 2**	**Level 3**
Other financial assets					
Contingent accounts receivable	$	1,500	$ -	$ 1,372	$ -
Total financial assets	**$**	**1,500**	**$ -**	**$ 1,372**	**$ -**
Financial liabilities					
Common share purchase warrants	$	20,555	$ -	$ -	$ 99
Non-controlling interests put option		12,333	-	-	10,721
Total financial liabilities	**$**	**32,888**	**$ -**	**$ -**	**$ 10,820**

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

For level 3 financial liabilities as at June 30, 2020, a 1.0% change in the interest rate used would change the total financial liabilities by approximately $164 (December 31, 2019 - $195).

5. CONTRACT BALANCES

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

As at	**June 30, 2020**	December 31, 2019
Accrued contract revenue	**$ 13,987**	$ 17,208
Deferred contract revenue	**$ 1,815**	$ 4,471

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

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

5. CONTRACT BALANCES *(continued)*

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

		Accrued contract revenue		Deferred contract revenue
Balance at December 31, 2019	$	17,208	$	4,471
Progress on projects		36		28
Contracts completed		(10,894)		(3,354)
New contracts entered		7,447		659
Foreign exchange adjustment		190		11
Balance at June 30, 2020	**$**	**13,987**	**$**	**1,815**

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

	Next 12 months	2021	2022	2023	Total
Construction related services	$ 133,313	$ 23,005	$ 21,460	$ -	$ 177,778

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

6. DISCONTINUED OPERATIONS

(a) Remote Waste LP

As at June 30, 2020, Management intends to dispose of its ownership interest in Remote Waste. A buyer has been identified and it is anticipated that the disposal will occur in the third quarter of 2020. Net proceeds are expected to be nominal. An impairment loss of $3,141 was required to reduce the carrying value of the assets to their fair value. Remote Waste was included in the Energy business segment. Comparative period balances of the consolidated statements of income and comprehensive income and cash flows have been restated. The following table provides the operating results of this discontinued operations:

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	**2020**	2019
Revenue	**$ 223**	$ 2,836	**$ 2,703**	$ 6,272
Operating expenses	**976**	2,706	**3,213**	5,528
Operating (loss) income before amortization	**(753)**	130	**(510)**	744
Expenses:				
Amortization of property, plant & equipment	**110**	217	**275**	433
Amortization of leased assets	**154**	236	**423**	475
Amortization of intangible assets	**-**	33	**-**	66
Loss (gain) on disposal of equipment	**1**	(32)	**1**	(113)
Loss (gain) on early termination of leases	**13**	(11)	**(34)**	(11)
Operating loss	**(1,031)**	(313)	**(1,175)**	(106)
Impairment loss	**3,141**	-	**3,141**	-
Net finance costs	**31**	49	**63**	95
Loss before income taxes	**(4,203)**	(362)	**(4,379)**	(201)
Deferred income tax (reduction)	**333**	(33)	**288**	(116)
Net loss	**(4,536)**	$ (329)	**(4,667)**	(85)
Other comprehensive loss:				
Items that may be subsequently reclassified:				
Exchange differences on translating foreign operations	**(306)**	(10)	**(109)**	(44)
Net loss and comprehensive loss	**$ (4,230)**	$ (319)	**$ (4,558)**	$ (41)

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

6. DISCONTINUED OPERATIONS *(continued)*

(b) Ambassador Mechanical LP

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

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

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

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	**2020**	2019
Revenue	$ -	10,932	$ -	$ 22,312
Operating expenses	-	9,693	-	20,274
Operating income before amortization	-	1,239	-	2,038
Expenses:				
Amortization of property, plant & equipment	-	47	-	96
Amortization of leased assets	-	87	-	175
Amortization of intangible assets	-	195	-	390
Loss on disposal of equipment	-	-	-	1
Operating income	-	910	-	1,376
Net finance costs	-	7	-	19
Income before income taxes	-	903	-	1,357
Deferred income tax	-	65	-	90
Net income	$ -	838	$ -	$ 1,267

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

7. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Computer equipment	Furniture & fixtures	Equipment	Motor vehicles	Leasehold improvements	Total
Cost							
Balance at January 1, 2019	$ 1,978	$ 1,201	$ 935	$ 37,126	$ 8,516	$ 1,484	$ 51,240
Additions	-	108	135	3,826	781	42	4,892
Disposals	-	(113)	(19)	(1,350)	(448)	-	(1,930)
Disposal of subsidiary	-	(145)	(209)	(1,039)	(102)	(625)	(2,120)
Transfer of ownership	-	-	-	1,256	-	-	1,256
Foreign exchange adjustment	-	(1)	(9)	(296)	(33)	(12)	(351)
Balance at December 31, 2019	$ 1,978	$ 1,050	$ 833	$ 39,523	$ 8,714	$ 889	$ 52,987
Additions	-	18	39	1,604	371	30	2,062
Disposals	-	(203)	(94)	(1,641)	(236)	(107)	(2,281)
Impairment	-	(2)	(26)	(2,530)	-	-	(2,558)
Reclassified as assets held for sale	-	-	-	(119)	-		(119)
Foreign exchange adjustment	-	1	2	120	(1)	76	198
Balance at June 30, 2020	**$ 1,978**	**$ 864**	**$ 754**	**$ 36,957**	**$ 8,848**	**$ 888**	**$ 50,289**
Accumulated amortization							
Balance at January 1, 2019	$ 133	$ 714	$ 396	$ 16,133	$ 4,511	$ 612	$ 22,499
Amortization	66	145	110	4,338	1,207	225	6,091
Disposals	-	(102)	(7)	(781)	(331)	-	(1,221)
Disposal of subsidiary	-	(105)	(151)	(637)	(92)	(448)	(1,433)
Transfer of ownership	-	-	-	1,256	-	-	1,256
Foreign exchange adjustment	-	(1)	(2)	(88)	(14)	(2)	(107)
Balance at December 31, 2019	$ 199	$ 651	$ 346	$ 20,221	$ 5,281	$ 387	$ 27,085
Amortization	32	60	43	1,969	509	65	2,678
Disposals	-	(167)	(69)	(1,404)	(197)	(48)	(1,885)
Foreign exchange adjustment	-	1	1	63	2	3	70
Balance at June 30, 2020	**$ 231**	**$ 545**	**$ 321**	**$ 20,849**	**$ 5,595**	**$ 407**	**$ 27,948**
Carrying value							
At December 31, 2019	$ 1,779	$ 399	$ 487	$ 19,302	$ 3,433	$ 502	$ 25,902
At June 30, 2020	**$ 1,747**	**$ 319**	**$ 433**	**$ 16,108**	**$ 3,253**	**$ 481**	**$ 22,341**

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

8. LEASED ASSETS

	Buildings	Computer equipment	Furniture & fixtures	Equipment	Motor vehicles	Total
Cost						
Balance at January 1, 2019	$ 19,593	$ 212	$ 59	$ 8,440	$ 4,861	$ 33,165
Additions	4,505	83	21	1,338	2,288	8,235
Disposals	(44)	-	(12)	(916)	(1,674)	(2,646)
Disposal of subsidiary	(1,184)	-	(23)	-	(977)	(2,184)
Transfer of ownership	-	-	-	(1,256)	-	(1,256)
Foreign exchange adjustment	(44)	-	-	(45)	(40)	(129)
Balance at December 31, 2019	22,826	295	45	7,561	4,458	35,185
Additions	714	-	11	233	403	1,361
Disposals	(1,218)	(212)	-	(1,261)	(1,059)	(3,750)
Impairment	-	-	-	-	(76)	(76)
Reclassified as assets held for sale					(208)	(208)
Foreign exchange adjustment	70	-	-	54	35	159
Balance at June 30, 2020	**$ 22,392**	**$ 83**	**$ 56**	**$ 6,587**	**$ 3,553**	**$ 32,671**
Accumulated amortization						
Balance at January 1, 2019	$ 7,610	$ 158	$ 31	$ 3,898	$ 2,387	$ 14,084
Amortization	2,899	39	16	1,738	1,429	6,121
Disposals	(356)	-	(12)	(629)	(1,179)	(2,176)
Disposal of subsidiary	(818)	-	(13)	-	(680)	(1,511)
Transfer of ownership	-	-	-	(1,256)	-	(1,256)
Foreign exchange adjustment	(22)	-	-	(19)	(18)	(59)
Balance at December 31, 2019	9,313	197	22	3,732	1,939	15,203
Amortization	1,576	26	6	914	660	3,182
Disposals	(815)	(202)	-	(824)	(920)	(2,761)
Foreign exchange adjustment	39	-	-	24	13	76
Balance at June 30, 2020	**$ 10,113**	**$ 21**	**$ 28**	**$ 3,846**	**$ 1,692**	**$ 15,700**
Carrying value						
At December 31, 2019	$ 13,513	$ 98	$ 23	$ 3,829	$ 2,519	$ 19,982
At June 30, 2020	**$ 12,279**	**$ 62**	**$ 28**	**$ 2,741**	**$ 1,861**	**$ 16,971**

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

9. INTANGIBLE ASSETS

	Trade name	Customer relationships	Non-compete & employment agreements	Other	Total
Cost					
Balance at January 1, 2019	$ 12,159	$ 75,322	$ 6,837	$ 490	$ 94,808
Fully amortized assets derecognized	-	(12,981)	(5,537)	(483)	(19,001)
Disposal of subsidiary	(595)	(5,200)	-	-	(5,795)
Foreign exchange adjustment	-	-	-	(7)	(7)
Balance at December 31, 2019	11,564	57,141	1,300	-	70,005
Impairment	(1,106)	(2,781)	-	-	(3,887)
Balance at June 30, 2020	**$ 10,458**	**$ 54,360**	**$ 1,300**	**$ -**	**$ 66,118**
Balance at January 1, 2019	$ -	$ 28,164	$ 4,851	$ 446	$ 33,461
Amortization	-	10,629	1,586	47	12,262
Fully amortized assets derecognized	-	(12,981)	(5,537)	(483)	(19,001)
Disposal of subsidiary	-	(3,510)	-	-	(3,510)
Foreign exchange adjustment	-	-	-	(10)	(10)
Balance at December 31, 2019	-	22,302	900	-	23,202
Amortization	-	3,671	150	-	3,821
Balance at June 30, 2020	**$ -**	**$ 25,973**	**$ 1,050**	**$ -**	**$ 27,023**
Carrying value					
At December 31, 2019	$ 11,564	$ 34,839	$ 400	$ -	$ 46,803
At June 30, 2020	**$ 10,458**	**$ 28,387**	**$ 250**	**$ -**	**$ 39,095**

10. GOODWILL

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

11. IMPAIRMENT TESTING FOR INTANGIBLE ASSETS AND GOODWILL

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

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

The Company has concluded that Allied Cathodic, Bassi, Circle 5, Kendall's Supply and Mackow, required an aggregate impairment of $27,524 to goodwill and intangible assets as a result of this value in use calculation because the carrying value was greater than the recoverable value as at June 30, 2020. The reduction in recoverable value was attributable to expectations of future financial performance resulting from the Pandemic's impact on geographical, industries and sectors that these CGUs operate within and their current and expected future cash flows.

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

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

By segment the impairment was:

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

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

12. CREDIT FACILITY AND OPERATING LINES

(a) Credit facility

Mosaic has a $50,000 revolving Credit Facility agreement with a Canadian financial institution, bearing interest at rates ranging from prime plus 0.50% - 1.50% with maturity of May 31, 2022.

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 to Gross EBITDA not to exceed 3.00 : 1.00;
(ii) Net Funded Debt to EBITDA not to exceed 3.00 : 1.00; and
(iii) Debt Service Coverage ratio to be not less than 1.50 : 1.00

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

Subsequent to June 30, 2020, the Company renewed and extended the Credit Facility to May 31, 2023. Furthermore the financial covenants were amended. See Note 27 – Subsequent event.

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

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

(b) Operating loans

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

					Balance outstanding	
	Facility type	Gross Availability	Restrictions to availability	Security	**June 30, 2020**	December 31, 2019
Bassi	Revolving demand	NA(6)	75% of AR	GSA & AA	**$ -**	$ -
Cedar	Revolving demand	$ 1,800	75% of AR	GSA	**-**	-
Circle 5	Revolving demand	6,000	AR & Inv	GSA	**1,250**	1,507
Industrial Scaffold	Revolving term	7,500(7)	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	8,300	75% of AR	GSA & AA	**-**	-
SECON	5-year term	4,000	CAPEX	GSA & AA	**-**	-
Total		$ 34,600			**$ 1,250**	$ 1,507

*(1) "**AR**" – eligible trade accounts receivable;*
*(2) "**Inv**" – inventories;*
*(3) "**CAPEX**" – capital expenditures;*
*(4) "**AA**" – assignment of all assets;*
*(5) "**GSA**" – general security agreement;*
(6) At June 30, 2020, no amount was available as the Tangible Net Worth of Bassi was below the minimum threshold. The facility has a limit of $2,000 from Feb – June and $3,000 from July to January each year; and
(7) Expands from $3,000 to $7,500 for May 1 to December 31 each year

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

13. NOTES PAYABLE

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

	Facility type	Term	Interest	Security	Balance Outstanding June 30, 2020	Balance Outstanding December 31, 2019
Cedar	VTB note	Apr 2020	5.0%	Cedar GSA	**$ -**	$ 4,333
Industrial Scaffold	Promissory note	Jan 2021	5.0%	NA	**2,074**	4,147
Place-Crete	Promissory note	Jan 2020	5.0%	Place-Crete GSA	**-**	46
Printing Unlimited	Term loan	Oct 2020	P + 0.75%	Mortgage	**544**	551
SECON	Term loan	5 years	3.2%	Mortgage	**609**	629
All subsidiaries	Equipment and leasehold	< 5 years	< P + 0.5%	GSA & FC	**4,975**	3,722
All subsidiaries	Unamortized discount				**(47)**	(134)
Total notes payable					**8,155**	13,294
Current portion					**(4,343)**	(8,096)
Non-current portion					**$ 3,812**	**$ 5,198**

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

Payments of principal amounts owing are scheduled as follows:

	Principal repayments
July 2020 – June 2021	$ 4,392
July 2021 – June 2022	2,119
July 2022 – June 2023	1,091
July 2023 – June 2024	516
July 2024 and after	84
Less: unamortized discount	(47)
	$ 8,155

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

14. LEASE OBLIGATIONS

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

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	**2020**	2019
Short term leases	**$ 1,330**	$ 2,326	**$ 2,820**	$ 3,873
Low value leases	**$ 73**	$ 45	**$ 126**	$ 119

Details of lease obligations are as follows:

As at	**June 30, 2020**	December 31, 2019
Building leases	**$ 13,351**	$ 14,435
Computer hardware leases	**63**	100
Furniture & fixtures leases	**28**	24
Production & rental equipment leases	**3,040**	3,787
Vehicle leases	**2,287**	2,673
Transferred to liabilities associated with assets held for sale	**(310)**	-
Total leases	**18,459**	21,019
Current portion	**(4,925)**	(5,752)
Non-current portion	**$ 13,534**	**$ 15,267**

Payments of principal amounts owing are scheduled as follows:

	Principal repayments
July 2020 – June 2021	$ 4,925
July 2021 – June 2022	4,317
July 2022 – June 2023	2,483
July 2023 – June 2024	2,192
July 2024 and after	4,542
	$ 18,459

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

15. COMMON SHARE PURCHASE WARRANTS

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

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

In determining the fair value of the Warrants as at June 30, 2020, the Company used an option pricing model with the following assumptions: weighted average volatility rate of 30%; risk-free interest rate of 2.00%; liquidity discount of 20%; and expected life of 3.50 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	June 30, 2020	December 31, 2019
Principal amount	$ 20,555	$ 20,555
Unamortized discount	(20,456)	(17,375)
	$ 99	$ 3,180

16. EQUITY-BASED COMPENSATION

(a) Share options

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

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

	Share options outstanding June 30, 2020			**Share options exercisable June 30, 2020**	
Exercise price	**Number of share options**	**Remaining contractual life**	**Weighted average exercise price**	**Number of share options**	**Weighted average exercise price**
$ 4.23	**113,987**	**0.92 years**	**$ 4.23**	**113,987**	**$ 4.23**
$ 6.07	**42,683**	**1.09 years**	**6.07**	**42,683**	**6.07**
$ 8.74	**136,981**	**1.78 years**	**8.74**	**136,981**	**8.74**
$ 5.78	**287,780**	**2.79 years**	**5.78**	**191,860**	**5.78**
$ 6.00	**9,393**	**2.91 years**	**6.00**	**6,262**	**6.00**
Total	**590,824**	**2.07 years**	**$ 6.19**	**491,773**	**$ 6.27**

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

16. EQUITY-BASED COMPENSATION *(continued)*

(a) Share options *(continued)*

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

(b) Restricted share units

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

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

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

17. REVENUE

For the three months ended June 30, 2020	Infra-structure	Diversified	Energy	Total
Type of revenue				
Product sales	$ 7,629	$ 4,844	$ 149	$ 12,622
Services (including equipment rental)	6,718	9,006	-	15,724
Construction services	37,921	3,435	-	41,356
	$ 52,268	**$ 17,285**	**$ 149**	**$ 69,702**
Timing of revenue recognition				
At a point in time	$ 7,629	$ 8,279	$ 149	$ 16,056
Over a period of time	44,639	9,006	-	53,646
	$ 52,268	**$ 17,285**	**$ 149**	**$ 69,702**

For the three months ended June 30, 2019	Infra-structure	Diversified	Energy	Total
Type of revenue				
Product sales	$ 6,842	$ 11,339	$ 703	$ 18,884
Services (including equipment rental)	3,092	14,762	-	17,854
Construction services	61,252	5,096	-	66,348
	$ 71,186	$ 31,197	$ 703	$ 103,086
Timing of revenue recognition				
At a point in time	$ 6,842	$ 16,435	$ 703	$ 23,980
Over a period of time	64,344	14,762	-	79,106
	$ 71,186	$ 31,197	$ 703	$ 103,086

For the six months ended June 30, 2020	Infra-structure	Diversified	Energy	Total
Type of revenue				
Product sales	$ 10,019	$ 14,675	$ 550	$ 25,244
Services (including equipment rental)	13,390	21,384	-	34,774
Construction services	76,827	8,893	-	85,720
	$ 100,236	**$ 44,952**	**$ 550**	**$ 145,738**
Timing of revenue recognition				
At a point in time	$ 10,019	$ 23,568	$ 550	$ 34,137
Over a period of time	90,217	21,384	-	111,601
	$ 100,236	**$ 44,952**	**$ 550**	**$ 145,738**

For the six months ended June 30, 2019	Infra-structure	Diversified	Energy	Total
Type of revenue				
Product sales	$ 8,444	$ 23,225	$ 969	$ 32,638
Services (including equipment rental)	10,765	23,752	-	34,517
Construction services	107,314	9,909	-	117,223
	$ 126,523	$ 56,886	$ 969	$ 184,378
Timing of revenue recognition				
At a point in time	$ 8,444	$ 33,134	$ 969	$ 42,547
Over a period of time	118,079	23,752	-	141,831
	$ 126,523	$ 56,886	$ 969	$ 184,378

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

18. NET FINANCE COSTS

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	**2020**	2019
Interest:				
Expense related to debt instruments	**$ 1,429**	$ 1,901	**$ 2,945**	$ 3,577
Expense related to lease obligations	**230**	224	**471**	455
Income on cash and cash equivalents	**(58)**	(75)	**(125)**	(109)
Accretion expense	**189**	302	**415**	601
Amortization of borrowing costs	**122**	144	**246**	288
	$ 1,912	$ 2,496	**$ 3,952**	$ 4,812

19. FAIR VALUE ADJUSTMENT

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	**2020**	2019
Common share purchase warrants	**$ 90**	$ 457	**$ (3,081)**	$ 3,059
Non-controlling interest put options	**252**	229	**498**	450
Contingent accounts receivable	**(52)**	-	**(102)**	-
Contingent consideration	**-**	(184)	**-**	(184)
Risk management contracts	**(370)**	(183)	**(37)**	(786)
	$ (80)	319	**(2,722)**	$ 2,539

20. EARNINGS PER SHARE

(Loss) earnings per share is calculated as follows:

	Three months ended June 30,		Six months ended June 30	
	2020	2019	**2020**	2019
Net loss for common equity holders from continuing operations – Basic	**$ (17,840)**	$ (3,121)	**$ (16,263)**	$ (8,598)
Net (loss) income for common equity holders from discontinued operations – Basic	**(4,020)**	310	**(4,339)**	896
Effect of dilutive securities	**-**	-	**-**	-
Net income (loss) for common shareholders – Diluted	**$ (21,860)**	$ (2,811)	**$ (20,602)**	$ (7,702)
Weighted average number of common shares – Basic	**10,704,739**	10,617,235	**10,663,310**	10,612,672
Weighted average number of common shares – Diluted	**10,704,739**	10,617,235	**10,663,310**	10,612,672
Basic EPS from continuing operations	**$ (1.67)**	$ (0.30)	**$ (1.53)**	$ (0.81)
Basic EPS from discontinued operations	**(0.38)**	0.04	**(0.41)**	0.09
Basic EPS	**$ (2.05)**	$ (0.26)	**$ (1.94)**	$ (0.72)
Diluted EPS from continuing operations	**$ (1.67)**	$ (0.30)	**$ (1.53)**	$ (0.81)
Diluted EPS from discontinued operations	**(0.38)**	0.04	**(0.41)**	0.09
Diluted EPS	**$ (2.05)**	$ (0.26)	**$ (1.94)**	$ (0.72)

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

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

21. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash operating working capital:

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	**2020**	2019
Trade, accrued and other receivables	**$ 7,042**	$ (8,146)	**$ 13,960**	$ 1,781
Accrued contract revenue	**5,009**	1,224	**3,220**	(3,013)
Inventories	**431**	(364)	**(627)**	351
Deposits and prepaid expenses	**(206)**	(209)	**(532)**	(727)
Trade, accrued and other payables	**(10,125)**	4,853	**(9,437)**	722
Deferred contract revenue	**(3,372)**	432	**(2,656)**	1,880
	$ (1,221)	$ (2,210)	**3,928**	994

22. COMPENSATION

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

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	**2020**	2019
Personnel and personnel related expenses	**$ 26,177**	$ 37,721	**$ 56,788**	$ 65,439
Equity-based compensation	**230**	139	**427**	359
	$ 26,407	$ 37,860	**$ 57,215**	$ 65,798

23. GOVERNMENT SUBSIDIES

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

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	**2020**	2019
Infrastructure	**$ 5,507**	$ -	**$ 5,507**	$ -
Diversified	**3,249**	-	**3,249**	-
Energy	**96**	-	**96**	-
Corporate	**203**	-	**203**	-
Discontinued operations	**94**	-	**94**	-
	$ 9,149	$ -	**$ 9,149**	$ -

24. CONTINGENT LIABILITIES

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

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

25. FINANCIAL INSTRUMENTS

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

(a) Fair value

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

(b) Liquidity risk

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

	Carrying amount	Contractual cash flow	Less than 12 months	1 – 2 years	2 -3 years	Thereafter
Operating loans	**$ 1,250**	$ 1,313	$ 1,313	$ -	$ -	$ -
Trade, accrued, and other payables	**42,920**	42,920	42,920	-	-	-
Distributions payable	**1,496**	1,496	1,496	-	-	-
Redeemable non-controlling interest	**19,892**	21,050	21,050	-	-	-
Liabilities associated with assets held for sale	**310**	326	326	-	-	-
Credit facility	**22,965**	24,803	919	23,884	-	-
Notes payable	**8,155**	8,207	4,649	2,273	1,195	91
Lease obligations	**18,459**	20,253	5,442	4,681	2,737	7,394
Debentures	**48,103**	58,750	2,500	2,500	2,500	51,250
Convertible debentures	**12,477**	1,382	919	463	-	-
Common share purchase warrants	**99**	-	-	-	-	-
Non-controlling interests put options	**10,721**	12,332	7,583	1,583	1,583	1,583
	$ 186,847	$ 192,832	$ 89,117	$ 35,384	$ 8,015	$ 60,318

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

(c) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk can be heightened from exposure to a single customer or to several customers that have similar qualities and characteristics. The impact of the Pandemic has potentially increased this risk from exposure to customer liquidity risks. The Company's exposure to credit risk is primarily related to cash and cash equivalents held with financial institutions and the carrying value of its trade, accrued and other receivables. The Company is subject to a concentration of credit risk as 13.9% (December 31, 2019 – 20.3%) of trade receivables is from its three largest customers. The Company continuously evaluates the financial condition and credit worthiness of all customers and potential customers in order to mitigate such risk. In the event that losses do occur, all impairments are recognized in the profit and loss.

(d) Market risk

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

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

25. FINANCIAL INSTRUMENTS *(continued)*

(e) Interest rate risk

The Company is exposed to interest rate risk to the extent that the Credit facility bears interest based on prime rates. Based on outstanding amounts under the Credit facilities as June 30, 2020, a 1% movement in the prime rate would change the interest expense by approximately $344 (2019 - $278).

26. SEGMENTED INFORMATION

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

Mosaic has three reportable business segments:

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

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

For the three months ended June 30, 2020	Infra-structure	Diversified	Energy	Corporate	Total
Revenue	$ 52,268	$ 17,285	$ 149	$ -	$ 69,702
Operating expenses	42,603	13,519	199	1,034	57,355
	9,665	3,766	(50)	(1,034)	12,347
Amortization:					
Property, plant and equipment	474	712	20	4	1,210
Leased assets	610	748	12	29	1,399
Intangible assets	852	1,058	-	-	1,910
Loss (gain) on disposal of property and equipment	(10)	227	(4)	-	213
Gain on termination of lease obligations	(6)	25	-	-	19
Equity-based compensation	-	-	-	230	230
Operating income (loss)	7,745	996	(78)	(1,297)	7,366
Impairment loss	4,900	19,500	3,123	-	27,523
Net finance costs	119	146	3	1,644	1,912
Foreign exchange loss (gain)	(16)	755	-	-	739
Share of joint venture loss	-	-	-	15	15
Fair value adjustment	250	(367)	-	37	(80)
Income (loss) before taxes	2,492	(19,038)	(3,204)	(2,993)	(22,743)
Provision for income tax:					
Current	228	85	-	-	313
Deferred (reduction)	(1,235)	(3,660)	1	937	(3,957)
	(1,007)	(3,575)	1	937	(3,644)
Net income (loss)	**$ 3,499**	**$ (15,463)**	**$ (3,205)**	**$ (3,930)**	**$ (19,099)**
Purchase of property, plant and equipment	$ 685	$ 279	$ -	$ -	$ 964

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

26. SEGMENTED INFORMATION *(continued)*

For the three months ended June 30, 2019	Infra-structure	Diversified	Energy	Corporate	Total
Revenue	$ 71,186	$ 31,197	$ 703	$ -	$ 103,086
Operating expenses	66,303	26,626	555	1,178	94,662
	4,883	4,571	148	(1,178)	8,424
Amortization:					
Property, plant and equipment	541	675	20	4	1,240
Leased assets	469	652	11	24	1,156
Intangible assets	1,412	1,489	163	-	3,064
Loss (gain) on disposal of property and equipment	30	(20)	(1)	38	47
Gain on termination of lease obligations	(7)	(3)	-	-	(10)
Equity-based compensation	-	-	-	139	139
Operating income (loss)	2,438	1,778	(45)	(1,383)	2,788
Net finance costs	254	292	3	1,947	2,496
Foreign exchange loss	(47)	296	-	-	249
Share of joint venture loss	-	-	-	19	19
Fair value adjustment	45	(183)	-	457	319
Income (loss) before taxes	2,186	1,373	(48)	(3,806)	(295)
Provision for income tax:					
Current	-	55	-	-	55
Deferred (reduction)	272	28	9	92	401
	272	83	9	92	456
Net income (loss)	**$ 1,914**	**$ 1,290**	**$ (57)**	**$ (3,898)**	**$ (751)**
Purchase of property, plant and equipment	$ 327	$ 1,171	$ 48	$ 43	$ 1,589

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

26. SEGMENTED INFORMATION *(continued)*

For the six months ended June 30, 2020	Infra-structure	Diversified	Energy	Corporate	Total
Revenue	$ 100,236	$ 44,952	$ 550	$ -	$ 145,738
Operating expenses	87,338	37,977	529	2,112	127,956
	12,898	6,975	21	(2,112)	17,782
Amortization:					
Property, plant and equipment	941	1,422	38	2	2,403
Leased assets	1,208	1,469	24	58	2,759
Intangible assets	1,704	2,117	-	-	3,821
Loss (gain) on disposal of property and equipment	20	215	(4)	(1)	230
Gain on termination of lease obligations	(5)	23	-	-	18
Equity-based compensation	-	-	-	427	427
Operating income (loss)	9,030	1,729	(37)	(2,598)	8,124
Impairment loss	4,900	19,500	3,123	-	27,523
Net finance costs	297	377	5	3,273	3,952
Foreign exchange loss	20	(665)	-	-	(645)
Share of joint venture income	-	-	-	(43)	(43)
Fair value adjustment	481	(20)	-	(3,183)	(2,722)
Income (loss) before taxes	3,332	(17,463)	(3,165)	(2,645)	(19,941)
Provision for income tax:					
Current	230	147	-	-	377
Deferred (reduction)	(1,140)	(4,684)	1	789	(5,034)
	(910)	(4,537)	1	789	(4,657)
Net income (loss)	**$ 4,242**	**$ (12,926)**	**$ (3,166)**	**$ (3,434)**	**$ (15,284)**
Purchase of property, plant and equipment	$ 1,154	$ 860	$ 48	$ -	$ 2,062

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

26. SEGMENTED INFORMATION *(continued)*

For the six months ended June 30, 2019	Infra-structure	Diversified	Energy	Corporate	Total
Revenue	$ 126,523	$ 56,886	$ 969	$ -	$ 184,378
Operating expenses	117,942	48,830	837	2,538	170,147
	8,581	8,056	132	(2,538)	14,231
Amortization:					
Property, plant and equipment	1,065	1,331	40	7	2,443
Leased assets	938	1,351	22	46	2,357
Intangible assets	2,819	2,972	327	-	6,118
Loss (gain) on disposal of property and equipment	45	(44)	-	60	61
Gain on termination of lease obligations	(35)	(3)	-	-	(38)
Equity-based compensation	-	-	-	359	359
Operating income (loss)	3,749	2,449	(257)	(3,010)	2,931
Net finance costs	524	563	11	3,714	4,812
Foreign exchange loss	(20)	554	-	-	534
Share of joint venture loss	-	-	-	37	37
Fair value adjustment	266	(786)	-	3,059	2,539
Income (loss) before taxes	2,979	2,118	(268)	(9,820)	(4,991)
Provision for income tax:					
Current	4	141	-	(7)	138
Deferred (reduction)	(113)	(450)	20	(100)	(643)
	(109)	(309)	20	(107)	(505)
Net income (loss)	**$ 3,088**	**$ 2,427**	**$ (288)**	**$ (9,713)**	**$ (4,486)**
Purchase of property, plant and equipment	$ 748	$ 1,276	$ 48	$ 46	$ 2,118

As at June 30, 2020	**Infra-structure**	**Diversified**	**Energy**	**Corporate**	**Total**
Total assets	**$ 134,580**	**$ 111,151**	**$ 1,911**	**$ 21,197**	**$ 268,839**
Total liabilities	**$ 57,530**	**$ 27,869**	**$ 1,076**	**$ 102,187**	**$ 188,662**

As at December 31, 2019	Infra-structure	Diversified	Energy	Corporate	Total
Total assets	$ 144,840	$ 132,565	$ 11,964	$ 15,974	$ 305,343
Total liabilities	$ 63,894	$ 33,387	$ 3,218	$ 98,785	$ 199,284

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

27. SUBSEQUENT EVENT

(a) Credit facility (note 12(a))

On August 5, 2020, the Company renewed and extended its Credit Facility to May 31, 2023. The Credit Facility's financial covenant requirements were amended as follows:

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

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