

# MOSAIC CAPITAL CORPORATION



## Condensed Interim Consolidated Financial Statements (unaudited) For the three months ended March 31, 2021 and 2020

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### ***"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	March 31, 2021	December 31, 2020
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 20,661	\$ 30,938
Trade, accrued and other receivables	72,337	64,037
Accrued contract revenue <i>(note 6)</i>	13,726	13,733
Inventories	12,700	10,776
Deposits, prepaid expenses and other	3,771	2,683
	123,195	122,167
Non-current assets:		
Investment in joint venture	1,985	1,997
Contingent accounts receivable	741	713
Property, plant and equipment <i>(note 7)</i>	22,248	22,006
Leased assets <i>(note 8)</i>	16,353	17,674
Intangible assets <i>(note 9)</i>	33,897	35,429
Goodwill	47,780	47,780
Deferred income tax asset	11,547	11,503
<b>TOTAL ASSETS</b>	<b>\$ 257,746</b>	<b>\$ 259,269</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Liabilities</b>		
Current liabilities:		
Operating loans <i>(note 10(b))</i>	\$ 3,618	\$ —
Trade, accrued and other payables	45,490	45,780
Distributions payable	1,479	1,512
Deferred contract revenue <i>(note 6)</i>	3,149	1,302
Current portion of notes payable <i>(note 11)</i>	1,591	3,655
Current portion of lease obligations <i>(note 12)</i>	5,492	5,544
Current portion of non-controlling interest put options <i>(note 13)</i>	6,280	6,227
Current portion of convertible debentures	12,801	12,693
	79,900	76,713
Non-current liabilities:		
Credit facility <i>(note 10(a))</i>	18,597	20,081
Notes payable <i>(note 11)</i>	3,131	3,535
Lease obligations <i>(note 12)</i>	12,079	13,391
Debentures	48,470	48,357
Common share purchase warrants <i>(note 14)</i>	237	124
Redeemable non-controlling interest	9,827	9,796
Non-controlling interest put options <i>(note 13)</i>	776	1,244
<b>Total liabilities</b>	<b>173,017</b>	<b>173,241</b>
<b>Equity</b>		
Common shares	34,820	35,118
Preferred securities	82,395	82,395
Contributed surplus	3,334	3,130
Convertible debentures	885	880
Retained earnings:		
Cumulative earnings	46,155	44,990
Cumulative translation adjustment	527	457
Cumulative dividends/distributions	(121,212)	(119,733)
<b>Total shareholders' equity</b>	<b>46,904</b>	<b>47,237</b>
Non-controlling interests	37,825	38,791
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 257,746</b>	<b>\$ 259,269</b>

Contingent liabilities *(note 22)*  
See accompanying notes to the condensed interim consolidated financial statements.

# Mosaic Capital Corporation

## Condensed Interim Consolidated Statements of Income and Comprehensive Income

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

For the period ended March 31,	2021	2020
		<i>restated (note 5)</i>
<b>REVENUE (note 15)</b>	\$ <b>82,578</b>	\$ 76,036
<b>OPERATING EXPENSES (note 17)</b>	<b>74,639</b>	70,601
<b>OPERATING INCOME BEFORE OTHER EXPENSES</b>	<b>7,939</b>	5,435
<b>EXPENSES</b>		
Amortization:		
Property, plant and equipment	1,151	1,193
Leased assets	1,525	1,360
Intangible assets	1,799	1,911
(Gain) loss on disposal of equipment	(377)	17
Gain on early termination of lease obligations	(33)	(1)
Equity-based compensation	204	197
	<b>4,269</b>	4,677
Operating income from continuing operations	<b>3,670</b>	758
Net finance costs (note 18)	1,673	2,040
Foreign exchange loss (income)	179	(1,383)
Share of joint venture loss (income)	12	(58)
Fair value adjustment (note 19)	164	(2,642)
Earnings from continuing operations before income taxes	<b>1,642</b>	2,801
Provision for income taxes:		
Current	99	64
Deferred (reduction)	(44)	(1,077)
	<b>55</b>	(1,013)
<b>NET INCOME FROM CONTINUING OPERATIONS</b>	<b>1,587</b>	3,814
Other comprehensive income:		
Items that may be subsequently reclassified:		
Exchange difference on translating foreign operations	(70)	(163)
<b>NET INCOME AND COMPREHENSIVE INCOME FROM CONTINUING OPERATIONS</b>	<b>1,657</b>	3,977
Loss and comprehensive loss from discontinued operations (note 5)	—	(328)
<b>NET INCOME AND COMPREHENSIVE INCOME</b>	\$ <b>1,657</b>	\$ 3,649
Net income (loss) and comprehensive income (loss) attributable to:		
Common equity holders from continuing operations	\$ (1,134)	\$ 1,576
Common equity holders from discontinued operations	—	(319)
Preferred distribution from continuing operations	1,479	1,496
Non-controlling interests from continuing operations	1,312	905
Non-controlling interests from discontinued operations	—	(9)
	\$ <b>1,657</b>	\$ 3,649
Earnings (loss) per common share (note 20)		
Basic from continuing operations	\$ (0.11)	\$ 0.15
Basic from discontinued operations	—	(0.03)
<b>Basic</b>	\$ <b>(0.11)</b>	\$ 0.12
Diluted from continuing operations	\$ (0.11)	\$ 0.15
Diluted from discontinued operations	—	(0.03)
<b>Diluted</b>	\$ <b>(0.11)</b>	\$ 0.12

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 interests	Total equity
<b>Balance, January 1, 2020</b>	\$ 35,142	\$ 82,395	\$ 2,562	\$ 859	\$ 57,894	\$ 157	\$ (114,680)	\$ 64,329	\$ 41,730	\$ 106,059
Distributions declared on preferred securities	—	—	—	—	—	—	(1,496)	(1,496)	—	(1,496)
Dividends declared on common shares	—	—	—	—	—	—	(1,116)	(1,116)	—	(1,116)
Distributions to non-controlling interests	—	—	—	—	—	—	—	—	(885)	(885)
Equity-based compensation	—	—	197	—	—	—	—	197	—	197
Amortization of issue costs	—	—	—	5	—	—	—	5	—	5
Net income (loss) and comprehensive income (loss)	—	—	—	—	2,786	(33)	—	2,753	896	3,649
<b>Balance, March 31, 2020</b>	\$ 35,142	\$ 82,395	\$ 2,759	\$ 864	\$ 60,680	\$ 124	\$ (117,292)	\$ 64,672	\$ 41,741	\$ 106,413
<b>Balance, January 1, 2021</b>	\$ 35,118	\$ 82,395	\$ 3,130	\$ 880	\$ 44,990	\$ 457	\$ (119,733)	\$ 47,237	\$ 38,791	\$ 86,028
Distributions declared on preferred securities	—	—	—	—	—	—	(1,479)	(1,479)	—	(1,479)
Distributions to non-controlling interests	—	—	—	—	—	—	—	—	(1,857)	(1,857)
Equity-based compensation	—	—	204	—	—	—	—	204	—	204
Amortization of issue costs	—	—	—	5	—	—	—	5	—	5
Contribution from NCI	—	—	—	—	—	—	—	—	469	469
Redemption of units from NCI through NCI put option	—	—	—	—	890	—	—	890	(890)	—
Restricted share unit purchases	(298)	—	—	—	—	—	—	(298)	—	(298)
Net income and comprehensive income	—	—	—	—	275	70	—	345	1,312	1,657
<b>Balance, March 31, 2021</b>	\$ 34,820	\$ 82,395	\$ 3,334	\$ 885	\$ 46,155	\$ 527	\$ (121,212)	\$ 46,904	\$ 37,825	\$ 84,729

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)

For the period ended March 31,	2021	2020
		<i>restated (note 5)</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income from continuing operations	\$ 1,587	\$ 3,814
Adjustments for:		
Amortization of property, plant and equipment	1,151	1,193
Amortization of leased assets	1,525	1,360
Amortization of intangible assets	1,799	1,911
(Gain) loss on disposal of equipment	(377)	17
Gain on early termination of lease obligations	(33)	(1)
Equity-based compensation	204	197
Accretion expense (note 18)	164	226
Amortization of borrowing costs (note 18)	110	123
Foreign exchange loss (income)	179	(1,383)
Share of joint venture loss (income)	12	(58)
Fair value adjustment	164	(2,642)
Deferred income tax (reduction)	(44)	(1,077)
Cash provided before non-cash working capital	6,441	3,680
Net change in non-cash working capital (note 21)	(9,806)	5,150
Cash (used in) provided by continuing operations	(3,365)	8,830
Cash provided by discontinued operations	—	164
<b>Net cash provided by operating activities</b>	<b>(3,365)</b>	<b>8,994</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(1,495)	(1,098)
Proceeds on disposal of property, plant and equipment	478	102
Business acquisition (note 4)	(250)	—
Distributions received from joint venture	—	105
Cash used in continuing operations	(1,267)	(891)
Cash provided by discontinued operations	—	375
<b>Net cash used in investing activities</b>	<b>(1,267)</b>	<b>(516)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net proceeds from operating loans	3,618	346
Proceeds from credit facility	4,163	16,314
Repayment of credit facility	(5,664)	(3,090)
Proceeds from notes payable	—	869
Repayment of notes payable	(2,465)	(6,836)
Payment of lease obligations	(1,563)	(1,328)
Purchase of restricted share units	(298)	—
Dividends paid to common shareholders	—	(1,116)
Distributions paid to preferred security holders	(1,512)	(1,512)
Distributions paid to non-controlling interests	(1,857)	(885)
Contribution from non-controlling interests	440	—
Redemption of units from NCI through NCI put option	(500)	—
Cash (used in) provided by continuing operations	(5,638)	2,762
Cash used in discontinued operations	—	(220)
<b>Net cash (used in) provided by financing activities</b>	<b>(5,638)</b>	<b>2,542</b>
Net change in cash and cash equivalents	(10,270)	11,020
Cash and cash equivalents, beginning of period	30,938	18,980
Effect of translation on foreign cash	(7)	104
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$ 20,661</b>	<b>\$ 30,104</b>
<b>For the period ended March 31,</b>	<b>2021</b>	<b>2020</b>
Interest received	\$ 10	\$ 68
Interest paid	\$ 1,287	\$ 1,186
Income taxes paid	\$ 628	\$ 19

See accompanying notes to the condensed interim consolidated financial statements.

**Mosaic Capital Corporation**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three months ended March 31, 2021 and 2020**

(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 – 4<sup>th</sup> Street SW Calgary, Alberta T2S 2T4. Mosaic is an investment company that owns a portfolio of established businesses. The Company continues to evaluate, acquire and invest in businesses across a range of industries and geographies.

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

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

**2. BASIS OF PREPARATION**

(a) Statement of compliance

The condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standards ("**IAS**") 34 "*Interim Financial Reporting*" as issued by the International Accounting Standards Board ("**IASB**"). The condensed interim consolidated financial statements have been prepared 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, 2020. 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, 2020.

The condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company (the "**Board**") on May 5, 2021.

(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	
	March 31, 2021	December 31, 2020
Allied Cathodic Services L.P. (" <b>Allied Cathodic</b> ")	80%	80%
Bassi Construction L.P. (" <b>Bassi</b> ")	74%	70%
Cedar Infrastructure Products L.P. (" <b>Cedar</b> ")	75%	75%
Circle 5 Tool & Mold L.P. (" <b>Circle 5</b> ")	75%	75%
First West Properties L.P. (" <b>FWPLP</b> ")	100%	100%
Industrial Scaffold Services L.P. (" <b>Industrial Scaffold</b> ")	81%	81%
Kendall's Supply Ltd. (" <b>Kendall's Supply</b> ")	89%	89%
Mackow Industries L.P. (" <b>Mackow</b> ")	80%	80%
Place-Crete Systems L.P. (" <b>Place-Crete</b> ")	69%	69%
Printing Unlimited L.P. (" <b>Printing Unlimited</b> ")	100%	100%
Secon Holdings L.P. (" <b>SECON</b> ")	75%	76%

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

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

**Mosaic Capital Corporation**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three months ended March 31, 2021 and 2020**

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

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**2. BASIS OF PREPARATION (continued)**

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(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 and 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 17 "*Government Subsidies*". On April 19, 2021 the federal government announced its intention to extend the length of certain subsidies for which the Company believes it will be eligible to receive to September 2021. 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 March 31, 2021, the Company had cash of \$20,661 on hand, \$43,295 in positive working capital, \$31,403 available on its revolving credit facility (the "**Credit Facility**") and approximately \$23,389 available on its subsidiary-level operating credit facilities.

As at March 31, 2021, the Company is in compliance with financial covenants contained within all of its loans and borrowings.

The ability of the Company to continue operations in the ordinary course of business is dependent on, among other things, the duration of the Pandemic, the Company's operational performance during the Pandemic, terms of covenants and repayment obligations with its lenders, 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 consolidated financial statements.

(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, a subsidiary of Mackow, which is translated to the Company's presentation currency for inclusion in the consolidated financial statements. 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 Other Comprehensive Income ("**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 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.

**Mosaic Capital Corporation**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
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**3. DETERMINATION OF FAIR VALUES**

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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.



**Mosaic Capital Corporation**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
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**3. DETERMINATION OF FAIR VALUES (continued)**

(e) Other non-derivative financial liabilities

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

As at March 31, 2021	Face value	Fair value		
		Level 1	Level 2	Level 3
Other financial assets				
Contingent accounts receivable	\$ 750	\$ —	\$ 741	\$ —
<b>Total financial assets</b>	<b>\$ 750</b>	<b>\$ —</b>	<b>\$ 741</b>	<b>\$ —</b>
Financial liabilities				
Common share purchase warrants	\$ 20,555	\$ —	\$ —	\$ 237
Non-controlling interest put options	7,500	—	—	7,056
<b>Total financial liabilities</b>	<b>\$ 28,055</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 7,293</b>

As at December 31, 2020	Face value	Fair value		
		Level 1	Level 2	Level 3
Other financial assets				
Contingent accounts receivable	\$ 750	\$ —	\$ 713	\$ —
<b>Total financial assets</b>	<b>\$ 750</b>	<b>\$ —</b>	<b>\$ 713</b>	<b>\$ —</b>
Financial liabilities				
Common share purchase warrants	\$ 20,555	\$ —	\$ —	\$ 124
Non-controlling interest put options	8,000	—	—	7,471
<b>Total financial liabilities</b>	<b>\$ 28,555</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 7,595</b>

For level 3 financial liabilities as at March 31, 2021, a 1.0% change in the interest rate used would change the total financial liabilities by approximately \$193 (December 31, 2020 - \$195).

**4. BUSINESS COMBINATION**

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 is allocated to goodwill.

On January 1, 2021, SECON completed the acquisition of an 88% interest in the business being carried on by Borsoi Electrical Services Ltd ("**Borsoi Electrical**"). The remaining 12% was retained by its management. Borsoi Electrical is an electrical contractor in Kitimat, British Columbia. SECON is classified as a part of the Infrastructure segment.

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

Fair value of net assets acquired	
Property, plant and equipment	\$ 12
Intangibles	267
Non-controlling interests	(29)
<b>Net assets acquired</b>	<b>\$ 250</b>
Consideration given	
Cash	\$ 250
<b>Total consideration</b>	<b>\$ 250</b>

**Mosaic Capital Corporation**  
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**5. DISCONTINUED OPERATIONS**

Effective July 31, 2020, Mosaic disposed of its ownership interest in Remote Waste LP for gross proceeds of \$40. An impairment loss of \$3,412 was incurred to reduce the carrying value of the assets to their fair value. Remote Waste was included in the former 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 operation:

For the period ended March 31,	2021	2020
Revenue	\$ —	\$ 2,480
Operating expenses	—	2,238
Operating income before amortization	—	242
Expenses:		
Amortization of property, plant & equipment	—	165
Amortization of leased assets	—	269
Gain on early termination of leases	—	(46)
Operating loss	—	(146)
Net finance costs	—	32
Loss before income taxes	—	(178)
Provision for income taxes:		
Deferred (reduction)	—	(44)
Net loss	—	(134)
Other comprehensive loss:		
Items that may be subsequently reclassified:		
Exchange differences on translating foreign operations	—	194
Net loss and comprehensive loss	\$ —	\$ (328)

**6. CONTRACT REVENUE**

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

As at	March 31, 2021	December 31, 2020
Accrued contract revenue	\$ 13,726	\$ 13,733
Deferred contract revenue	\$ 3,149	\$ 1,302

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.

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**Notes to the Condensed Interim Consolidated Financial Statements**  
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*(unaudited) (in thousands of Canadian dollars, except for per share amounts)*

**6. CONTRACT REVENUE (continued)**

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

	Accrued	Deferred
Balance at January 1, 2020	\$ 17,208	\$ 4,471
Progress on projects	(1,029)	218
Contracts completed	(14,706)	(4,328)
New contracts entered	12,355	943
Foreign exchange adjustment	(95)	(2)
Balance at December 31, 2020	13,733	1,302
Progress on projects	1,106	1,411
Contracts completed	(2,954)	(725)
New contracts entered	1,877	1,174
Foreign exchange adjustment	(36)	(13)
<b>Balance at March 31, 2021</b>	<b>\$ 13,726</b>	<b>\$ 3,149</b>

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	Apr 2022 - Mar 2023	Apr 2023 - Mar 2024	Apr 2024 - Mar 2025	Total
Construction related services	\$ 181,063	\$ 74,918	\$ 15,778	\$ 15,778	287,537

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

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**7. PROPERTY, PLANT, AND EQUIPMENT**

	Buildings	Computer equipment	Furniture & fixtures	Equipment	Motor vehicles	Leasehold improvements	Total
<b>Cost</b>							
Balance at January 1, 2020	\$ 1,978	\$ 1,050	\$ 833	\$ 39,523	\$ 8,714	\$ 889	\$ 52,987
Additions	—	157	52	3,228	893	284	4,614
Disposals	—	(203)	(94)	(1,661)	(816)	(107)	(2,881)
Transfer of ownership	—	—	—	267	—	—	267
Foreign exchange adjustment	—	1	1	1	(3)	(3)	(3)
Balance at December 31, 2020	\$ 1,978	\$ 1,005	\$ 792	\$ 41,358	\$ 8,788	\$ 1,063	\$ 54,984
Acquisitions	—	—	—	—	12	—	12
Additions	—	—	23	933	489	50	1,495
Disposals	—	—	—	(99)	(210)	—	(309)
Foreign exchange adjustment	—	—	—	(16)	(2)	(4)	(22)
<b>Balance at March 31, 2021</b>	<b>\$ 1,978</b>	<b>\$ 1,005</b>	<b>\$ 815</b>	<b>\$ 42,176</b>	<b>\$ 9,077</b>	<b>\$ 1,109</b>	<b>\$ 56,160</b>
<b>Accumulated amortization</b>							
Balance at January 1, 2020	\$ 199	\$ 651	\$ 346	\$ 20,221	\$ 5,281	\$ 387	\$ 27,085
Amortization	64	126	83	3,717	1,022	103	5,115
Disposals	—	(167)	(69)	(1,286)	(546)	(46)	(2,114)
Impairment	—	2	26	2,586	—	—	2,614
Transfer of ownership	—	—	—	267	—	—	267
Foreign exchange adjustment	—	(1)	—	18	(3)	(3)	11
Balance at December 31, 2020	\$ 263	\$ 611	\$ 386	\$ 25,523	\$ 5,754	\$ 441	\$ 32,978
Amortization	15	31	19	809	235	40	1,149
Disposals	—	—	—	(62)	(146)	—	(208)
Foreign exchange adjustment	—	—	—	(5)	(1)	(1)	(7)
<b>Balance at March 31, 2021</b>	<b>\$ 278</b>	<b>\$ 642</b>	<b>\$ 405</b>	<b>\$ 26,265</b>	<b>\$ 5,842</b>	<b>\$ 480</b>	<b>\$ 33,912</b>
<b>Carrying value</b>							
At December 31, 2020	\$ 1,715	\$ 394	\$ 406	\$ 15,835	\$ 3,034	\$ 622	\$ 22,006
<b>At March 31, 2021</b>	<b>\$ 1,700</b>	<b>\$ 363</b>	<b>\$ 410</b>	<b>\$ 15,911</b>	<b>\$ 3,235</b>	<b>\$ 629</b>	<b>\$ 22,248</b>

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**8. LEASED ASSETS**

	Buildings	Computer equipment	Furniture & fixtures	Equipment	Motor vehicles	Total
<b>Cost</b>						
Balance at January 1, 2020	\$ 22,826	\$ 295	\$ 45	\$ 7,561	\$ 4,458	\$ 35,185
Additions	3,054	75	15	589	1,769	5,502
Disposals	(2,872)	(212)	—	(1,452)	(2,543)	(7,079)
Transfer of ownership	—	—	—	(267)	—	(267)
Foreign exchange adjustment	(28)	—	—	49	25	46
Balance at December 31, 2020	22,980	158	60	6,480	3,709	33,387
Additions	56	—	—	150	498	704
Disposals	(432)	—	(24)	(182)	(522)	(1,160)
Foreign exchange adjustment	(20)	—	—	(2)	—	(22)
<b>Balance at March 31, 2021</b>	<b>\$ 22,584</b>	<b>\$ 158</b>	<b>\$ 36</b>	<b>\$ 6,446</b>	<b>\$ 3,685</b>	<b>\$ 32,909</b>
<b>Accumulated amortization</b>						
Balance at January 1, 2020	\$ 9,313	\$ 197	\$ 22	\$ 3,732	\$ 1,939	\$ 15,203
Amortization	3,129	51	13	1,610	1,287	6,090
Disposals	(2,285)	(206)	—	(999)	(1,907)	(5,397)
Impairment	—	—	—	—	76	76
Transfer of ownership	—	—	—	(267)	—	(267)
Foreign exchange adjustment	(20)	—	—	19	9	8
Balance at December 31, 2020	10,137	42	35	4,095	1,404	15,713
Amortization	813	13	3	336	356	1,521
Disposals	(202)	—	(24)	(65)	(373)	(664)
Foreign exchange adjustment	(13)	—	—	(1)	—	(14)
<b>Balance at March 31, 2021</b>	<b>\$ 10,735</b>	<b>\$ 55</b>	<b>\$ 14</b>	<b>\$ 4,365</b>	<b>\$ 1,387</b>	<b>\$ 16,556</b>
<b>Carrying value</b>						
At December 31, 2020	\$ 12,843	\$ 116	\$ 25	\$ 2,385	\$ 2,305	\$ 17,674
<b>At March 31, 2021</b>	<b>\$ 11,849</b>	<b>\$ 103</b>	<b>\$ 22</b>	<b>\$ 2,081</b>	<b>\$ 2,298</b>	<b>\$ 16,353</b>

**9. INTANGIBLE ASSETS**

	Trade name	Customer relationships	Non-competitive & employment agreements	Total
<b>Cost</b>				
Balance at January 1, 2020	\$ 11,564	\$ 57,141	\$ 1,300	\$ 70,005
Fully amortized assets derecognized	—	—	(900)	(900)
Balance at December 31, 2020	11,564	57,141	400	69,105
Acquisitions	—	267	—	267
<b>Balance at March 31, 2021</b>	<b>\$ 11,564</b>	<b>\$ 57,408</b>	<b>\$ 400</b>	<b>\$ 69,372</b>
Balance at January 1, 2020	\$ —	\$ 22,302	\$ 900	\$ 23,202
Amortization	—	7,239	248	7,487
Fully amortized assets derecognized	—	—	(900)	(900)
Impairment	1,106	2,781	—	3,887
Balance at December 31, 2020	1,106	32,322	248	33,676
Amortization	—	1,783	16	1,799
<b>Balance at March 31, 2021</b>	<b>\$ 1,106</b>	<b>\$ 34,105</b>	<b>\$ 264</b>	<b>\$ 35,475</b>
<b>Carrying value</b>				
At December 31, 2020	\$ 10,458	\$ 24,819	\$ 152	\$ 35,429
<b>At March 31, 2021</b>	<b>\$ 10,458</b>	<b>\$ 23,303</b>	<b>\$ 136</b>	<b>\$ 33,897</b>

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**10. CREDIT FACILITY AND OPERATING LINES**

(a) Credit facility

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

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

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

	Total Debt to Gross EBITDA	Net Funded Debt to EBITDA	Debt Service Coverage Ratio
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 requirement.

As at March 31, 2021, Mosaic was in compliance with these covenants.

(b) Operating loans

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

Facility type	Gross Availability	Restrictions to availability	Security	Balance outstanding		
				March 31, 2021	December 31, 2020	
Cedar	Revolving demand	\$ 1,800	75% of AR	GSA	\$ —	\$ —
Circle 5	Revolving demand	6,000	AR & Inv	GSA	863	—
Industrial Scaffold	Revolving term	7,000	75% of AR	GSA & AA	2,755	—
Mackow	Revolving demand	3,000	AR & Inv	GSA	—	—
Place-Crete	Revolving demand	4,000	75% of AR	GSA	—	—
SECON	Revolving demand	11,000	75% of AR	GSA & AA	—	—
SECON	5-year term	6,000	CAPEX	GSA & AA	—	—
<b>Total</b>	<b>\$ 38,800</b>				<b>\$ 3,618</b>	<b>\$ —</b>

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

(2) "Inv" – inventories;

(3) "CAPEX" – capital expenditures;

(4) "AA" – assignment of all assets; and

(5) "GSA" – general security agreement;

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**11. NOTES PAYABLE**

Notes payable include building mortgages, equipment loans and term loans. Details of these notes payable are as follows:

	Facility type	Term	Interest	Security	Balance Outstanding	
					March 31, 2021	December 31, 2020
Industrial Scaffold	Promissory note	Jan 2021	5.0%	NA	\$ —	\$ 2,074
Printing Unlimited	Term loan	Oct 2025	P + 0.75%	Mortgage	531	535
SECON	Term loan	May 2022	3.2%	Mortgage	578	589
All subsidiaries	Equipment	< 5 years	< P + 0.5%	GSA & FC	3,613	3,992
Total notes payable					4,722	7,190
Current portion					(1,591)	(3,655)
<b>Non-current portion</b>					<b>\$ 3,131</b>	<b>\$ 3,535</b>

- (1) "P" – Bank of Canada prime rate;  
(2) "GSA" – general security agreement; and  
(3) "FC" – first charge on specific assets.

Payments of principal amounts owing are scheduled as follows:

April 2021 - March 2022	\$	1,591
April 2022 - March 2023		1,714
April 2023 - March 2024		748
April 2024 - March 2025		669
	\$	4,722

**12. LEASE OBLIGATIONS**

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

For the period ended March 31,	2021	2020
Short term leases	\$ 1,325	\$ 1,292
Low value leases	\$ 47	\$ 59

Details of lease obligations are as follows:

As at	March 31, 2021	December 31, 2020
Building leases	\$ 12,952	\$ 13,886
Computer hardware leases	43	50
Furniture & fixtures leases	18	22
Production & rental equipment leases	2,315	2,697
Vehicle leases	2,243	2,280
Total leases	17,571	18,935
Current portion	(5,492)	(5,544)
<b>Non-current portion</b>	<b>\$ 12,079</b>	<b>\$ 13,391</b>

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**12. LEASE OBLIGATIONS (continued)**

Payments of principal amounts owing are scheduled as follows:

April 2021 - March 2022	\$	5,492
April 2022 - March 2023		3,573
April 2023 - March 2024		2,694
April 2024 - March 2025		1,968
April 2025 - March 2026 and after		3,844
	\$	17,571

**13. NON-CONTROLLING INTEREST PUT OPTIONS**

The Company has entered into agreements with certain of its NCIs 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 January 1, 2024.

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 January 1, 2024 at a notional aggregate fair value of \$7,056 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	March 31, 2021	December 31, 2020
Principal amount	\$ 7,500	\$ 8,000
Unamortized discount	(444)	(529)
Non-controlling interest put options	7,056	7,471
Current portion	(6,280)	(6,227)
Non-current portion	\$ 776	\$ 1,244

Effective January 1, 2021, Bassi settled a put option with an NCI. Under the terms of the limited partnership agreement, Bassi redeemed 1,750,000 Class B units from the NCI for \$500 in cash. Mosaic now holds a 74% interest in Bassi.

**14. 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 Preferred Securities. Under the residual value methodology, the Debentures and 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 March 31, 2021, 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 2.75 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	March 31, 2021	December 31, 2020
Principal amount	\$ 20,555	\$ 20,555
Unamortized discount	(20,318)	(20,431)
	\$ 237	\$ 124



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**15. REVENUE**

For the period ended March 31, 2021	Infrastructure	Diversified	Total
<b>Type of revenue</b>			
Product sales	\$ 4,354	\$ 7,945	\$ 12,299
Services (including equipment rental)	3,750	18,475	22,225
Construction services	41,707	6,347	48,054
	<b>\$ 49,811</b>	<b>\$ 32,767</b>	<b>\$ 82,578</b>
<b>Timing of revenue recognition</b>			
At a point in time	\$ 4,354	\$ 14,292	\$ 18,646
Over a period of time	45,457	18,475	63,932
	<b>\$ 49,811</b>	<b>\$ 32,767</b>	<b>\$ 82,578</b>
<b>For the period ended March 31, 2020</b>			
	Infrastructure	Diversified	Total
<b>Type of revenue</b>			
Product sales	\$ 2,390	\$ 10,232	\$ 12,622
Services (including equipment rental)	6,672	12,378	19,050
Construction services	38,906	5,458	44,364
	<b>\$ 47,968</b>	<b>\$ 28,068</b>	<b>\$ 76,036</b>
<b>Timing of revenue recognition</b>			
At a point in time	\$ 2,390	\$ 15,690	\$ 18,080
Over a period of time	45,578	12,378	57,956
	<b>\$ 47,968</b>	<b>\$ 28,068</b>	<b>\$ 76,036</b>

**16. COMPENSATION**

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

For the period ended March 31,	2021	2020
Personnel and personnel related expenses (net of subsidies <i>(note 17)</i> )	\$ 34,770	\$ 31,871
Equity-based compensation	204	197
	<b>\$ 34,974</b>	<b>\$ 32,068</b>

**17. 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:

For the period ended March 31,	2021	2020
Infrastructure	\$ 807	\$ —
Diversified	936	—
	<b>\$ 1,743</b>	<b>\$ —</b>

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**18. NET FINANCE COSTS**

For the period ended March 31,	2021	2020
Interest:		
Expense related to debt instruments	\$ 1,189	\$ 1,533
Expense related to lease obligations	220	223
Income on cash and cash equivalents	(10)	(65)
Accretion expense	164	226
Amortization of borrowing costs	110	123
	\$ 1,673	\$ 2,040

**19. FAIR VALUE ADJUSTMENT**

For the period ended March 31,	2021	2020
Common share purchase warrants	\$ 113	\$ (3,170)
Non-controlling interest put options	85	246
Contingent accounts receivable	(28)	(50)
Risk management contracts	(6)	332
	\$ 164	\$ (2,642)

**20. EARNINGS (LOSS) PER SHARE**

(Loss) earnings per share is calculated as follows:

For the period ended March 31,	2021	2020
Net (loss) income for common equity holders from continuing operations – Basic	\$ (1,134)	\$ 1,576
Net (loss) for common equity holders from discontinued operations – Basic	\$ —	\$ (319)
Effect of dilutive securities	—	167
Net (loss) income for common shareholders – Diluted	(1,134)	1,424
Weighted average number of common shares – Basic	10,705,665	10,621,420
Weighted average number of common shares – Diluted	10,705,665	12,079,628
Basic EPS from continuing operations	\$ (0.11)	\$ 0.15
Basic EPS from discontinued operations	—	(0.03)
Basic EPS	\$ (0.11)	\$ 0.12
Diluted EPS from continuing operations	\$ (0.11)	\$ 0.15
Diluted EPS from discontinued operations	—	(0.03)
Diluted EPS	\$ (0.11)	\$ 0.12

For the period ended March 31, 2020, the Company excluded 579,922 stock options, 17,026,106 warrants and 13,124 convertible debentures, as their inclusion would be anti-dilutive (2020 – 590,824 stock options and 17,026,106 warrants).

**21. SUPPLEMENTAL CASH FLOW INFORMATION**

Changes in non-cash operating working capital:

For the period ended March 31,	2021	2020
Trade, accrued and other receivables	\$ (8,362)	\$ 6,919
Accrued contract revenue	7	(1,788)
Inventories	(1,915)	(1,058)
Deposits, prepaid expenses and other	(1,089)	(326)
Trade, accrued and other payables	(294)	687
Deferred contract revenue	1,847	716
	\$ (9,806)	\$ 5,150

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**22. 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.

**23. 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 loans, 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 March 31, 2021 for its financial liabilities:

as at March 31, 2021	Carrying amount	Contractual cash flow	Less than 12 months	1 – 2 years	2 -3 years	Thereafter
Operating loans	\$ 3,618	\$ 3,799	\$ 3,799	\$ —	\$ —	\$ —
Trade, accrued, and other payables	45,490	45,490	45,490	—	—	—
Distributions payable	1,479	1,479	1,479	—	—	—
Credit facility	18,597	20,829	744	744	19,341	—
Notes payable	4,722	4,980	1,749	1,795	759	677
Lease obligations	17,571	19,824	6,188	4,053	3,029	6,554
Debentures	48,470	57,062	2,500	2,500	52,062	—
Convertible debentures	12,801	14,043	14,043	—	—	—
Common share purchase warrants	237	—	—	—	—	—
Redeemable non-controlling interest	9,827	11,467	800	10,667	—	—
Non-controlling interests put options	7,056	7,500	6,500	500	500	—
	<b>\$ 169,868</b>	<b>\$ 186,473</b>	<b>\$ 83,292</b>	<b>\$ 20,259</b>	<b>\$ 75,691</b>	<b>\$ 7,231</b>

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 23.5% (December 31, 2020 – 12.5%) 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.

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**23. FINANCIAL INSTRUMENTS (continued)**

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(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.

(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 March 31, 2021, a 1% movement in the prime rate would change the interest expense by approximately \$139 (2020 - \$186).

**24. SEGMENTED INFORMATION**

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

Mosaic has two reportable business segments:

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

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

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

**24. SEGMENTED INFORMATION (continued)**

For the period ended March 31, 2021	Infrastructure	Diversified	Corporate	Total
Revenue	\$ 49,812	\$ 32,766	\$ —	82,578
Operating expenses	45,647	27,726	1,266	74,639
Operating income (loss) before other expenses	4,165	5,040	(1,266)	7,939
Amortization:				
Property, plant and equipment	436	712	3	1,151
Leased assets	772	725	28	1,525
Intangible assets	821	978	—	1,799
Gain on disposal of equipment	(66)	(311)	—	(377)
Gain on termination of lease obligations	(22)	(11)	—	(33)
Equity-based compensation	—	—	204	204
Operating income (loss)	2,224	2,947	(1,501)	3,670
Net finance costs	132	169	1,372	1,673
Foreign exchange loss	29	150	—	179
Share of joint venture loss	—	—	12	12
Fair value adjustment	60	20	84	164
Earnings (loss) before taxes	2,003	2,608	(2,969)	1,642
Provision for income tax:				
Current	—	99	—	99
Deferred (reduction)	(1,068)	1,258	(234)	(44)
	(1,068)	1,357	(234)	55
<b>Net income (loss)</b>	<b>\$ 3,071</b>	<b>\$ 1,251</b>	<b>\$ (2,735)</b>	<b>1,587</b>
Purchase of property, plant and equipment	\$ 693	\$ 802	\$ —	1,495

**Mosaic Capital Corporation**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three months ended March 31, 2021 and 2020**  
*(unaudited) (in thousands of Canadian dollars, except for per share amounts)*

**24. SEGMENTED INFORMATION (continued)**

For the period ended March 31, 2020	Infrastructure	Diversified	Corporate	Total
Revenue	\$ 47,968	\$ 28,068	\$ —	76,036
Operating expenses	\$ 44,628	\$ 24,768	1,205	70,601
Operating income (loss) before other expenses	3,340	3,300	(1,205)	5,435
Amortization:				
Property, plant and equipment	461	728	4	1,193
Leased assets	599	732	29	1,360
Intangible assets	853	1,058	—	1,911
Loss (gain) on disposal of equipment	30	(11)	(2)	17
Gain on termination of lease obligations	—	(1)	—	(1)
Equity-based compensation	—	—	197	197
Operating income (loss)	1,397	794	(1,433)	758
Net finance costs	177	234	1,629	2,040
Foreign exchange loss (gain)	36	(1,419)	—	(1,383)
Share of joint venture income	—	—	(58)	(58)
Fair value adjustment	231	347	(3,220)	(2,642)
Earnings before taxes	953	1,632	216	2,801
Provision for income tax:				
Current	3	61	—	64
Deferred (reduction)	95	(1,024)	(148)	(1,077)
	98	(963)	(148)	(1,013)
<b>Net income</b>	<b>\$ 855</b>	<b>\$ 2,595</b>	<b>\$ 364</b>	<b>3,814</b>
Purchase of property, plant and equipment	\$ 469	\$ 629	\$ —	1,098
<b>As at March 31, 2021</b>	<b>Infrastructure</b>	<b>Diversified</b>	<b>Corporate</b>	<b>Total</b>
<b>Total assets</b>	<b>\$ 125,114</b>	<b>\$ 115,471</b>	<b>\$ 17,161</b>	<b>257,746</b>
<b>Total liabilities</b>	<b>\$ 45,585</b>	<b>\$ 30,393</b>	<b>\$ 97,039</b>	<b>173,017</b>
<b>As at December 31, 2020</b>	<b>Infrastructure</b>	<b>Diversified</b>	<b>Corporate</b>	<b>Total</b>
Total assets	\$ 129,241	\$ 112,482	\$ 17,546	259,269
Total liabilities	\$ 47,395	\$ 27,683	\$ 98,163	173,241